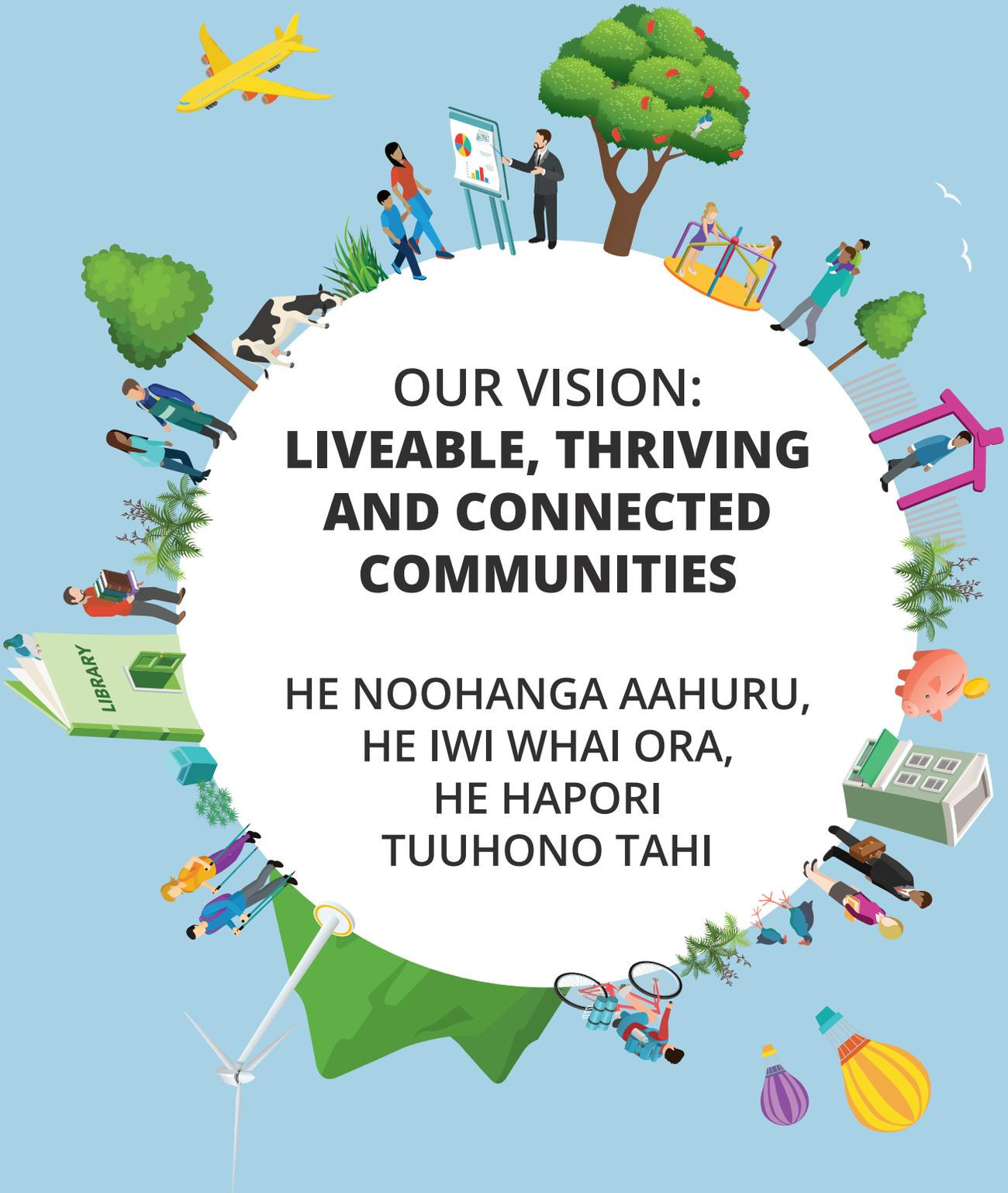


2018/19



**ANNUAL REPORT**

*Riipoata aa-tau*



**OUR VISION:  
LIVEABLE, THRIVING  
AND CONNECTED  
COMMUNITIES**

**HE NOOHANGA AAHURU,  
HE IWI WHAI ORA,  
HE HAPORI  
TUUHONO TAHI**

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# OVERVIEW

## *TIROHANGA WHAANUI*

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# THIS IS WAIKATO DISTRICT

## WAIKATO IS HOME TO...

**73,600**  
PEOPLE  
(24.1% IDENTIFY  
AS MAAORI)

**129**  
NEW NZ  
CITIZENS IN 2018/19

**13,451** DOGS



OVERVIEW

## WE PROVIDE...

**9,137,000**

**LITRES OF**  
DRINKING WATER A DAY

**54 PUBLIC  
TOILETS**  
USED BY 4,000  
PEOPLE EVERYDAY



**KERBSIDE  
COLLECTIONS  
OF 10,438  
TONNES OF  
REFUSE EACH YEAR**



**2** CAMPGROUNDS  
PAPAHUA AND HAKANOA



**54**

PLAYGROUNDS AND  
NEIGHBOURHOOD RESERVES

**13** SKATEPARKS

**3** SWIMMING  
POOLS

## WAIKATO SPANS

**OVER 450,000**  
HECTARES OF LAND



## IN 2018/19 WE HAVE SUPPORTED...

**151** COMMUNITY  
GROUPS



**AND 201** DOGS WERE  
RE-HOMED

## WE MAINTAIN...

**1,864KMS**  
OF SEALED ROADS



**600KMS**  
OF UNSEALED  
ROADS

**251KMS**  
OF FOOTPATHS

**113**  
PARKS AND  
RESERVES



**39**  
COMMUNITY  
HALLS

## WE OPERATE...



**6** LIBRARIES THAT SERVICE  
16,234 LIBRARY MEMBERS

**32** WATER  
RESERVOIRS  
WITH A TOTAL  
CAPACITY OF 35,117m<sup>3</sup>



**7** WATER TREATMENT  
PLANTS WITH A TOTAL CAPACITY  
OF 19,206m<sup>3</sup> PER DAY



**2** ANIMAL  
SHELTERS



**21**  
CEMETERIES

**25** DOG  
EXERCISE AREAS

# FROM THE MAYOR AND CHIEF EXECUTIVE

## Our vision to guide our growth

Our vision of 'liveable, thriving and connected communities - he noohanga aahuru, he iwi whai ora, he hapori tuuhono tahi', continues to guide how we shape our growth so we create communities that people feel connected to and want to live in.

We made a significant step towards delivering on our vision by co-developing and adopting the Waikato District Blueprint, which is Council's way of telling the community that we are taking a new and different approach to planning. The Blueprint was co-developed with the community through a series of workshops and consultation where we heard from hundreds of members of the public. We were given a clear sense of the community's priorities, what is really important to them, and where they would like to see Council direct its resources. The Blueprint provides a high level spatial picture of how the district could look in the future, and addresses the social, economic and environmental needs of our people and places. In total, 15 Local Area Blueprints as well as nine themes and related initiatives were co-developed. We are now planning the implementation phase of the Blueprints, as well as an additional Local Area Blueprint for Gordonton.

Stage 1 of the proposed District Plan, which sets the guidelines for land use and for protecting our environment and heritage, was publicly notified in July of 2018 for a three month submission period. Changes included a village zone, and the opportunity for papakainga (multiple dwelling) development on all Maaori freehold land with multiple owners. We received over 900 submissions on the proposed District Plan.

In May, Council endorsed the Hamilton to Auckland Corridor Plan Draft Shared Statement of Spatial Intent, after almost a year in preparation. The document outlines shared objectives, key opportunities, challenges, constraints and solutions. It also sets out a preferred spatial pattern and provides a 100 year view for future urban growth and development along the corridor, from Papakura to Cambridge/Te Awamutu.

## Sustainable delivery of services

Over the past year we undertook a major project to review how our organisation operates internally and what changes we needed to make to ensure that we could continue to meet the ambitions and needs of our communities. In part, this was required as a result of the significant growth that the district is experiencing.

We launched a strategic reset, co-designed the organisations structure, formed new teams, created space and reimagined our working environment, refreshed our values, recruited heavily, demanded a culture of doing things differently, and launched a new organisation to our people at an event called Team Up 2019.

To deliver on the Long Term Plan 2018-28 we have invested major time commitments to progressing contract discussions with Watercare Services Ltd, which are now nearing completion. We expect to save at least \$28.3 million over the next decade by negotiating a contract with Watercare Services Ltd to manage our three waters services under the guidance of a professional Council-appointed Waters Governance Board.

The Waikato Expressway projects are nearing completion and will bring long term benefits to the district. In the short term there are some negative impacts on local roads due to construction traffic. We managed the effects of construction traffic on local roads through discussions and agreements with the New Zealand Transport Agency (NZTA) and its contractors. We have monitored the impact of increased truck movements on the condition of our roads and have been able to adjust maintenance regimes and safety measures as required.

We are proud that some of our most widely-used services continue to record customer satisfaction levels of 80% or more including libraries (91%), parks and reserves (83%), wastewater (90%), water (82%), rubbish (83%), and recycling (82%). Overall, 66% of survey respondents were satisfied with the way rates are spent on the services and facilities we provide.

## Caring for our environment

In 2018/2019 we continued to mitigate the risk of wastewater overflows with a particular focus on protecting waterways and environmentally sensitive areas. We did this by cleaning wastewater pipes in Huntly and Raglan, commenced an inflow and infiltration reduction programme in Meremere, replaced failing asbestos cement gravity sewers in Ngaruawahia and replaced pump units in our wastewater pump stations where needed.

We consulted with our community in Raglan about a targeted rate for the continuation of their kerbside foodwaste collection service. The community did not support the targeted rate that was needed to deliver the service and Council supported this decision.

We have now recorded one-year of drinking water usage in our district at 240 litres per resident per year. These results tell us our network is in average condition compared with other councils in New Zealand

## Economic development

Areas we have identified as having a strong economy are continuing to grow. We continue to handle inquiries from overseas as well as domestically. Our International Strategy for Economic Development continues to create relationships with overseas investors and through the Open Waikato site we have created relationships with China and South Korea, where investors are potentially looking to establish businesses in the district.

An annual grant of \$150,000 per annum is provided to Hamilton & Waikato Tourism to support the promotion of our district and its destination sites like Raglan. Visitor expenditure across the Waikato region was the 5th highest in the country for 2018 at \$1.560 billion, of which \$127 million was spent in our district.

## Financial performance

We worked hard to set rates and debt levels that balance affordability with the need to provide for our growing community. For the 2018/19 year, in the Waikato district average rates per rateable property were \$2,881.

## Building communities together

We want to involve you in decisions affecting the future of our district. We engaged with you on our initiatives, plans, strategies and bylaws during the year on subjects ranging from speed limits to foodwaste, community halls and hubs and gambling venues.

Our commitment with Waikato-Tainui to co-manage the Waikato River by restoring and protecting its health and wellbeing is the driving force behind an inaugural scholarship. We worked in collaboration with Waikato-Tainui to award the Waikato District Council Waikato River Scholarship to Okeroa Waaka. Okeroa plans to undertake research projects on her local moana, Aotea Harbour, where she has a special interest in mudflats and wetland ecosystems. Okeroa is especially excited to bring about rejuvenation of the kaimoana that once thrived on the harbour's mudflats once she has finished her Bachelor of Science at the University of Waikato.

We committed grants totalling more than \$594,000 from Council-owned or administered funds for distribution to 118 organisations that enabled communities to meet some of their own needs.

We are proud of what we have achieved by working together to meet our district's present and future needs.

**We are proud that some of our most widely-used services continue to record customer satisfaction levels of 80% or more...**



Allan Sanson  
Mayor

Gavin Ion  
Chief Executive

# OUR ROLE AND STRUCTURE

Council is elected by the residents and ratepayers of the Waikato district. Thirteen Councillors are elected from within the ten wards they represent. The Mayor is elected at large. The Councillors and the Mayor make the decisions affecting our communities across the whole district.

## Wards

The district is divided into ten wards. They are: Awaroa ki Tuakau, Eureka, Hukanui-Waerenga, Huntly, Newcastle, Ngaruawahia, Onewhero-Te Akau, Raglan, Tamahere and Whangamarino.

## Community boards

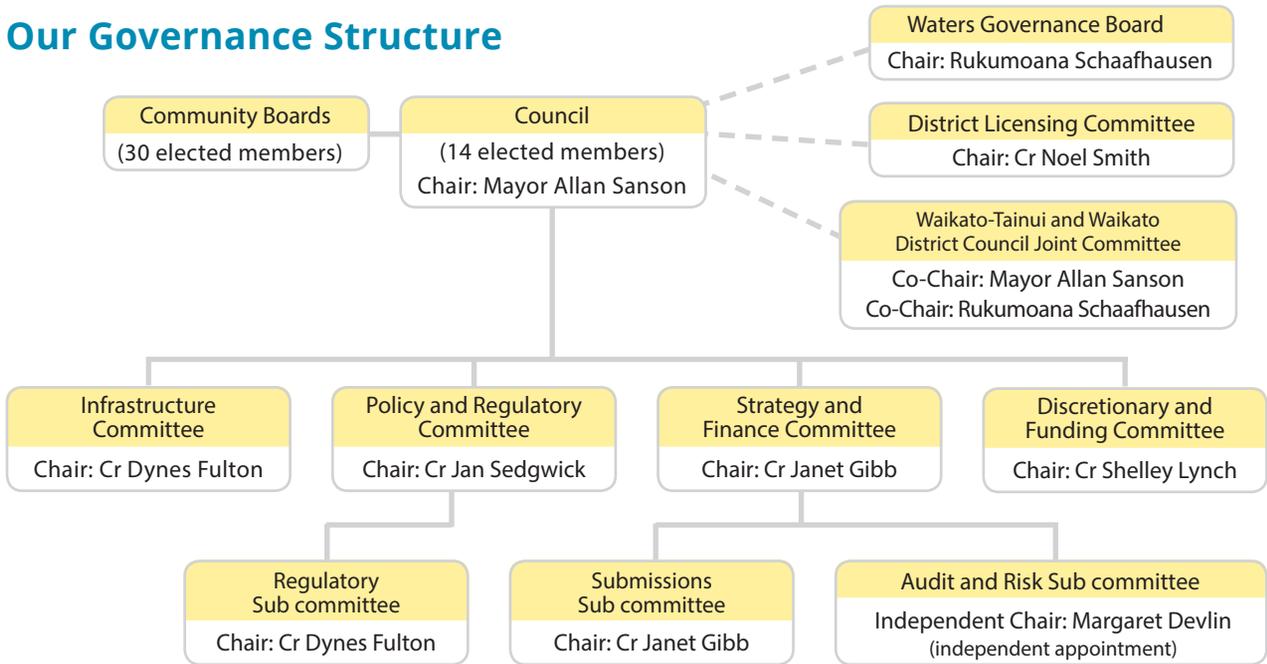
Five community boards, whose members are elected within the board areas, deal with local issues within their areas. Community boards are established in Huntly, Ngaruawahia, Onewhero-Tuakau, Raglan and Taupiri.

## Community committees and groups

By advocating on behalf of their local communities, voluntary community committees and groups play an important role within community decision-making. Council works with them and the community boards so it can take into account local perspectives as part of its decision-making.

They include: Aka Aka, Eureka, Glen Afton/Pukemiro, Gordonton, Horsham Downs, Matangi, Meremere, Newstead, North East Waikato (including Mangatawhiri, Mangatangi and Maramarua), Pokeno, Port Waikato, Pukekawa, Rangiriri, Tamahere, Te Kauwhata, Te Kowhai and Whatawhata.

## Our Governance Structure



## Mayor



Allan Sanson  
2018/19

## The Executive Leadership Team



Gavin Ion  
Chief Executive



Tony Whittaker  
Chief Operating Officer



Sue O'Gorman  
General Manager Customer Support



Clive Morgan  
General Manager Community Growth



Ian Cathcart  
General Manager Service Delivery

# WHO WE ARE 2018/19

## The Council

A map of the Waiatō District Council area is shown, divided into 12 wards. Each ward is labeled with its name and has a circular portrait of the council member representing that ward. The council members and their wards are:

- Cr Jacqui Church** - Awaroa ki Tuakau Ward
- Cr Jan Sedgwick** - Whangamarino Ward
- Cr Stephanie Henderson** - Awaroa ki Tuakau Ward
- Cr Shelley Lynch** - Huntly Ward
- Cr Frank McNally** - Huntly Ward
- Cr Bronwyn Main** - Onewhero-Te Akau Ward
- Cr Dynes Fulton** - Hukanui-Waerenga Ward
- Cr Janet Gibb** - Ngaruawahia Ward
- Cr Eugene Patterson** - Ngaruawahia Ward
- Cr Rob McGuire** - Eureka Ward
- Cr Lisa Thomson** - Raglan Ward
- Cr Noel Smith** - Newcastle Ward
- Cr Aksel Bech** - Tamahere Ward

OVERVIEW



**Roger MacCulloch**  
Acting General  
Manager Service  
Delivery



**Vanessa Jenkins**  
People and  
Capability Manager



**Jacob Quinn**  
Marketing and  
Communications  
Manager



**Mark Willcock**  
Chief Information  
Officer



**Alison Diaz**  
Chief Financial  
Officer



**Kurt Abbot**  
Projects and  
Innovation Manager



# STATEMENT OF SERVICE PROVISION *TAUAAKI RATONGA WHAKARITENGA*

<b>12</b>	Governance	<b>39</b>	Roading
<b>15</b>	Sustainable communities	<b>33</b>	Stormwater
	Customer and partnership focus	<b>46</b>	Wastewater
	Economic development	<b>50</b>	Water supply
	Emergency management	<b>54</b>	Organisational support
	Grants and donations	<b>56</b>	Progress towards community outcomes
	Community Connections		
<b>28</b>	Sustainable environment		
	Animal control		
	Building quality		
	Environmental health		
	Strategic and district planning		
	Solid waste		

# STATEMENT OF SERVICE PROVISION

## What we did

This Annual Report reviews our progress towards achieving what we set out to do in the first year of our 2018-2028 Long Term Plan (LTP). The LTP sets out our strategic direction for the 10 years ahead and is reviewed every three years. It establishes our goals and outlines the work we need to carry out to achieve the community outcomes identified.

Our work programmes and associated budgets are divided into eight groups of activities that contribute to the community outcomes we're seeking. In the 2018-2028 LTP our community outcomes were encapsulated by the Council's vision of liveable, thriving, connected communities – he noohanga aahuru, he iwi whai ora, he haapori tuuhono tahi.



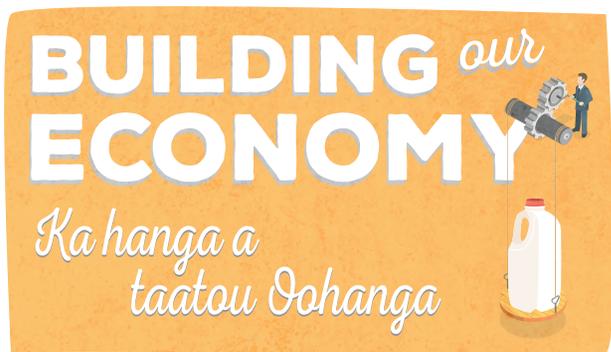
We are a community that believes in environmental sustainability; we pursue and promote related ideas and manage regulatory processes to safeguard and improve our district.



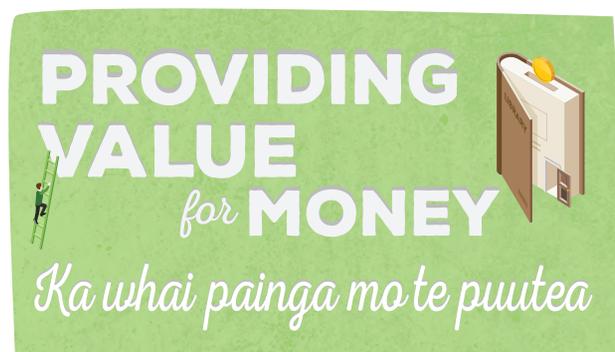
We consider the well-being of all our people in all our planning and activities. We have supported and plan for the development of complete and connected communities.



Our communities work with us so we are collectively focused on the right things at the right time.



We attract diverse enterprises/business: creating jobs and opportunities for our community. We continue to support our existing industry. We have others who leverage our location to ensure tourism brings benefits to a range of people in our communities.



Residents and ratepayers get value for money because we find innovative ways to deliver strategic, timely and fit for purpose infrastructure and services at the most effective cost.

Each group of activities contribute to one or more of our community outcomes.

Activity	Outcome				
	Supporting our Communities	Building our Economy	Sustaining our environment	Working together with you	Providing value for money
Governance	✓	✓	✓	✓	✓
Sustainable Communities -Customer and partnership focus -Economic development -Emergency management -Grants and donations -Parks and facilities	✓	✓	✓	✓	✓
Sustainable Environment -Animal control -Building quality -Environmental health -Strategic and district planning -Solid waste	✓	✓	✓	✓	✓
Roading	✓	✓		✓	✓
Stormwater	✓		✓	✓	✓
Wastewater	✓		✓	✓	✓
Water Supply	✓		✓	✓	✓
Organisational Support				✓	✓

✓ = primary contribution

✓ = minor contribution

## Our Approach

When considering the financial picture, the Council's overall approach continues to be:

- Support growth in targeted areas
- Maintain existing assets
- Modernise infrastructure where it is prudent to do so
- Do more with existing budgets
- Move the cost of providing a service to those who use them ie: user pays

## How we did

We have established performance measures for our work programmes to gauge our progress towards the community outcomes identified. In the following pages, you'll see we have shown how we're doing against our performance measures. We've used the 'traffic light' system to indicate whether:



We've achieved



We're on track towards the target but haven't quite made it (within 5%)



We've not met the target (variance greater than 5%)

Where we did not have a corresponding measure from last year to report on, we have indicated this as "N/A" for 2017/18.

We conclude with a tabular presentation of our progress towards our community outcomes.

# Funding impact statement – Whole of Council

	2017/18 Annual Plan \$'000	2017/18 Annual Report \$'000	2018/19 Annual plan \$'000	2018/19 Actual \$'000
<b>Sources of operating funding</b>				
General rates, uniform annual general charge, rates penalties	54,159	54,916	58,432	59,353
Targeted rates	23,304	23,242	25,868	25,435
Subsidies and grants for operating purposes	7,524	7,538	8,344	8,327
Fees and charges	10,164	9,556	10,526	10,115
Interest and dividends from investments	100	497	180	591
Local authorities fuel tax, fines, infringement fees, and other receipts	7,619	9,292	8,762	8,353
<b>Total operating funding</b>	<b>102,870</b>	<b>105,041</b>	<b>112,112</b>	<b>112,174</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	77,398	79,548	90,828	83,181
Finance costs	4,393	3,997	4,267	4,199
Other operating funding applications	2,792	2,906	2,362	2,741
<b>Total applications of operating funding</b>	<b>84,583</b>	<b>86,451</b>	<b>97,457</b>	<b>90,121</b>
<b>Surplus (deficit) of operating funding</b>	<b>18,287</b>	<b>18,590</b>	<b>14,655</b>	<b>22,053</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	9,037	10,969	11,410	10,415
Development and financial contributions	8,445	12,633	6,174	10,521
Increase (decrease) in debt	28,300	-	32,031	-
Gross proceeds from the sale of assets	202	2,590	693	926
Lump sum contributions	-	-	-	-
Other dedicated capital funding	97	1,034	120	574
<b>Total sources of capital funding</b>	<b>46,081</b>	<b>27,226</b>	<b>50,428</b>	<b>22,436</b>
<b>Applications of capital funding</b>				
<b>Capital expenditure</b>				
- to meet additional demand	11,549	7,117	25,410	15,825
- to improve the level of service	15,741	9,227	16,430	6,398
- to replace existing assets	27,409	24,009	30,519	26,786
Increase (decrease) in reserves	9,307	4,110	(7,670)	(2,041)
Increase (decrease) in investments	362	1,353	394	(2,479)
<b>Total applications of capital funding</b>	<b>64,368</b>	<b>45,816</b>	<b>65,083</b>	<b>44,489</b>
<b>Surplus (deficit) of capital funding</b>	<b>(18,287)</b>	<b>(18,590)</b>	<b>(14,655)</b>	<b>(22,053)</b>
<b>Funding balance for Whole of Council</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# GOVERNANCE

## What we did

Our Long Term Plan 2018-28 provided a new vision and goals to embrace the growth and changes we face in the next 10 years. Our vision is that we work together as a district to build liveable, thriving and connected communities as our district grows.

### Involved our communities in decision-making

Our goal, as a democratically-elected Council, is to involve you in the decisions that affect the future of our district.

We completed the review of our representation arrangements for the October local body elections, with 146 submissions received on our initial proposal. The Local Government Commission determined that, with some minor boundary changes, our current arrangements provided fair and effective representation. This means that the Council will continue to comprise of 13 councillors elected from 10 wards, a Mayor elected 'at large' (from across the district), and 5 community boards.

We adopted the Waikato District Blueprint, following workshops across the district and receiving 439 submissions on our draft Blueprint. This has provided a clear sense of the community's priorities, which will now help direct Council's resources towards the things that are really important to our communities. We received nearly 1,000 submissions on our Proposed District Plan (Stage 1), the public hearings for which will start in the next financial year. We also engaged with our communities on a range of other initiatives, plans, strategies and bylaws, on subjects ranging from foodwaste collection to gambling venues and from speed limits to community hubs and halls.

We expanded our efforts to engage with you through a range of media, surveys, public meetings and market days and we added to our range of online services. We attracted nearly 230,000 people to visit our website in the past year and we have almost 11,000 followers on Facebook.

We continued to encourage youth leadership through our youth action groups, to develop links within their communities and with Council as they worked on projects of their own choosing.

### Waters Governance

We established the Waters Governance Board as an independent body to drive forward with strategic and operational changes to the district's water systems and management. The Board comprises three independent directors, including one Waikato-Tainui member, to provide arms-length, robust governance and oversight, including for the implementation of any arrangements with other parties.

### Civic Events

Over the last year, we hosted five citizenship ceremonies, welcoming more than 120 new citizens to our district. A number of commemorative services for ANZAC day were held across the district, including the civic service in Ngaruawahia, which provided a reflective time following the tragic terror attacks in Christchurch in March.

### Maintained Iwi Partnerships

We appointed a new Iwi and Community Partnership Manager to build stronger relationship with iwi and tangata whenua. We engaged with all iwi groups assisting the numerous enquiries and concerns from Blueprint submissions, rates and water enquiries, to Joint Management Agreements. A solid relationship with iwi is a vital component in order to deliver liveable, thriving and connected communities.

During Joint Management Agreement meetings with Te Whakakitenga o Waikato (Waikato-Tainui) and Nga Wai o Waipa (Ngaati Maniapoto) on the Waikato and Waipa Rivers, we kept iwi briefed as we developed Long Term Plan options for the future management of our waters services, and gained support for Waikato-Tainui representation on a Waters Governance Board. The past year also saw Council commence consultation with iwi/Maori stakeholders about the creation of specific Maori Representatives on Council's three major standing committees.

Working and collaborating with Waikato-Tainui has developed into a joint decision making process on a number of initiatives and projects such as growth and infrastructure, community development and Maori representation in Council decision-making processes.

Together with Waikato-Tainui, we awarded the inaugural Waikato District Council Waikato River Scholarship to Okeroa Waaka, who has her sights firmly set on undertaking research projects on her local moana, Aotea Harbour, once she has finished her Bachelor of Science at Waikato University.

## How we did

Performance measures	2017/18 result	2018/19 target	2018/19 result	Rating	Explanation
Percentage of residents satisfied that they were able to contact their councillor as and when required.	77%	90%	80%		Contact details for councillors are available on our website, through our call centre, in our Link newsletter and in regular councillor newspaper columns.
Percentage of district plan changes that are undertaken as per the RMA statutory process.	N/A	100%	100%		Target met.
Number of joint committee meetings held per annum.	2 Waikato-Tainui, 2 Maniapoto	2 Waikato-Tainui, 2 Maniapoto	2 Waikato-Tainui, 2 Maniapoto		Target met.
Number of identified or notified breaches/objections under Joint Management Agreements, MOU's and MOA's.	0	0	0		Target met.
Number of formal governance hui held between council and iwi / hapuu groups.	4	Minimum 4	4		A number of hui have been held, including hui on Raglan wastewater and Maaori representation.
Percentage of minutes of all open meetings that are made publicly available via the Council's website.	100%	100%	100%		Target met.
Percentage of Council decisions that comply with statutory requirements.	100%	100%	100%		Target met.

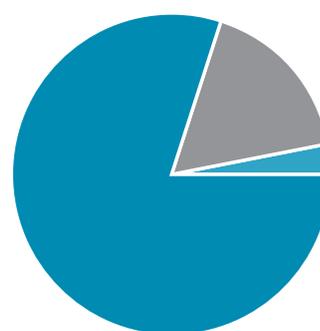
## What this tells us

Your feedback through our regular customer satisfaction survey is giving us the information we need to improve the way we work with you. We have not met all our targets for the year overall, but we are making positive progress in working with you to ensure our district continues to develop as an attractive place to live and work.

There are no potential significant negative effects associated with this activity.

## How we paid for it

### Operational Funding



**80%** General rates, uniform annual general charge, rates penalties

**3%** Targeted rates

**17%** Internal charges and overheads recovered

# Funding impact statement – Governance

	2017/18 Long term plan \$'000	2018/19 Long term plan \$'000	2018/19 Actual \$'000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge, rates penalties	6,597	5,247	5,261
Targeted rates	193	222	219
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	1
Internal charges and overheads recovered	1,097	1,031	1,160
Local authorities fuel tax, fines, infringement fees, and other receipts	16	5	5
<b>Total operating funding</b>	<b>7,903</b>	<b>6,505</b>	<b>6,646</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	2,494	2,535	2,776
Finance costs	-	-	-
Internal charges and overheads applied	4,655	3,972	3,818
Other operating funding applications	-	2	3
<b>Total applications of operating funding</b>	<b>7,149</b>	<b>6,509</b>	<b>6,597</b>
<b>Surplus (deficit) of operating funding</b>	<b>754</b>	<b>(4)</b>	<b>49</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Applications of capital funding</b>			
<b>Capital expenditure</b>			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	35
- to replace existing assets	-	-	42
Increase (decrease) in reserves	754	(4)	(28)
Increase (decrease) in investments	-	-	-
<b>Total applications of capital funding</b>	<b>754</b>	<b>(4)</b>	<b>49</b>
<b>Surplus (deficit) of capital funding</b>	<b>(754)</b>	<b>4</b>	<b>(49)</b>
<b>Funding balance for Governance</b>	<b>-</b>	<b>-</b>	<b>-</b>

# SUSTAINABLE COMMUNITIES

This group of activities includes economic development, grants and donations, parks and facilities, emergency management and customer and partnership focus. We provide these services to address social and economic wellbeing to support the development of 'communities' and not just discrete sets of towns and villages. It's about the provision of leisure options and the protection of enduring communities.

## Customer and partnership focus

We want to make it easy for you to contact us about issues and questions regarding the services we provide. Key contact points include staff in our libraries and service centres and our call centre. In order for our customers to feel supported outside of normal working hours, an after-hours service is provided by Hamilton City Council.

## Economic development

We are continually providing infrastructure to support businesses and residents and updating the district plan to attract industry to our district, along with many other initiatives. The goal is to ensure our district has longevity by bringing more employment opportunities. The Economic Development unit leads, supports and coordinates economic development activities, plans and initiatives across the district's growth nodes to help build a local environment that attracts and sustains new and existing business investment, residential development and visitor experiences.

## Emergency management

Public safety and emergency management activities are fundamental to the protection of life and property in the community. We have a key role in disaster and emergency response, management and recovery.

## Grants and donations

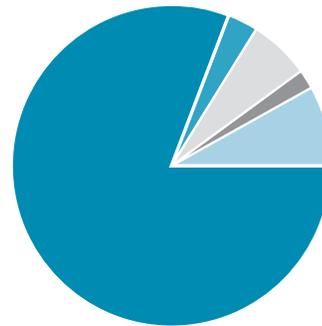
Every year we provide grants and donations to various organisations and charities throughout the district, which otherwise might not have access to funding for their work.

## Community connections

We provide many parks and open spaces, playgrounds and public facilities, including aquatic centres and libraries, walkways and sports grounds. Providing these facilities and amenities supports a healthy and thriving community.

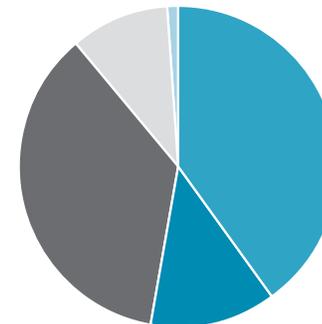
## How we paid for it

### Operational funding



- 81%** General rates, uniform annual general charge, rates penalties
- 3%** Targeted rates
- 6%** Fees and charges
- 2%** Internal charges and overheads recovered
- 8%** Local authorities fuel taxes, infringement fees and other receipts

### Capital funding



- 13%** Subsidies and grants for capital expenditure
- 40%** Development and financial contributions
- 36%** Increase (decrease) in debt
- 10%** Gross proceeds from the sale of assets
- 1%** Other dedicated capital funding

# Customer and Partnership focus

## What we did

### Customer satisfaction survey

Our ongoing customer satisfaction survey recorded satisfaction levels of 80% or more with some of our largest and most widely-used services – public libraries (91%), parks and reserves (83%), wastewater (90%), water (82%), rubbish (83%) and recycling (82%). Overall, 66% of survey respondents were satisfied with the way rates are spent on the services and facilities provided by the Council.

We commissioned the National Research Bureau to undertake our survey by means of randomised telephone polling throughout the year, and to provide us with comparative national data. The survey is a means of measuring our effectiveness in representing the wishes and viewpoints of our residents. This showed us that any dissatisfaction recorded with our services was no higher than nationally-collated council averages, while several services – building and inspection, animal control, public toilets and footpaths – recorded markedly low dissatisfaction compared with national averages.

### Staff responsiveness

Nearly two-thirds of survey respondents said they were satisfied with the overall service received (65%) and that it took little or no effort to conduct business with the Council (56%).

### Customer engagement

We engaged with or consulted our communities on subjects ranging from gambling venues, community hubs and halls, representation arrangements, to our District Plan rules.

Council received 774 submissions on the foodwaste service offered in Raglan, 439 submissions on the Waikato Blueprint, 311 submissions on the Port Waikato Community Hub and nearly 1,000 submissions on the Proposed District Plan.

Our online customer engagement continued to rise as we expanded our online services and lifted our social media engagement. Compared with 2017/18 there was a 19.45 per cent increase in website visits during 2018/19, a 18.1 per cent rise in website users (to nearly 230,000 unique visitors during the year) and a 20.2 per cent increase in new users. Visitor numbers viewing the website via mobile phone rose 29.5 per cent and visitors on tablets were stable, -0.2% per cent change.

We manage three Facebook pages and three Facebook groups. Our main page averages an 'organic' (unpaid) reach of 6,220 people a day – more than 2.2 million per year. Youth engagement is a key initiative.

We have recruited for a Youth Engagement Officer that will enable us to connect youth with their communities and with Council.

### Library services

The libraries activity applies to all six libraries that are owned and managed by Council. These sites are for the benefit of our changing communities and Council is currently determining what shape they will take in the years to come. National and international trends are towards modern libraries taking on a more 'hub' type feel, complimented by more outreach of services (taking services to those who can't access them).

Early indications are that Council and our communities support this direction.

For our sites to be as welcoming, inclusive, and safe as possible, we removed all cash facilities from our libraries and have now completed our first year of being completely cash-free.

We've partnered with Hamilton City Council and renewed our shared library services agreement for another three years. Waikato District Council is contributing \$199,235 plus GST annually for the service, enabling nearly 23,000 people living in 8,000 Waikato District households in the southern area of the district to continue being able to use Hamilton City libraries. The agreement recognises that our residents and ratepayers live, work, and socialise outside of our district, and that closer collaboration between Hamilton City Council and Waikato District Council is a key factor in ensuring quality, sustainable growth in coming decades.

The 2018/19 year has seen significant progression in two major projects. The expansion of the Tuakau library has progressed to final design stage with construction scheduled to finish in late 2020, and the Meremere library is due for completion in August 2019.

As indicated in Council's Long Term Plan, work has begun on a proposed library/community hub and service centre in Pokeno. Although Council is in the early stages of planning this facility will ultimately be guided by the Pokeno and surrounding community through engagement.

Our libraries have continued to be an important place for community activity, hosting community group meetings as well as regular reading programmes and other learning opportunities. We hope to expand the opportunities for people to engage in new (and old) experiences over the next year.

## How we did

Performance measures	2017/18 result	2018/19 target	2018/19 result	Rating	Explanation
Percentage of customers satisfied that council engages with the community regarding the right issues.*	40%	60%	56%		The Significance and Engagement Policy is applied when considering what issues require feedback from the public however in determining this, Council has to be mindful that the public can suffer from consultation fatigue. The results could be a reflection of this.
Percentage of customers satisfied with the ease of access to information regarding key community issues.*	52%	60%	53%		We continue to provide information via a range of printed and electronic mediums. For cost effectiveness and ease of access, we encourage the viewing of information via our website, based on a digital-first philosophy, however we understand that printed material is still more appropriate for some people. We have retained the Link magazine, for this reason. We will continue to look at new and different ways to provide information to our communities and customers to maximise the usefulness of our engagement and communication activities.
Average level of effort to conduct business with Council (on a scale of 1-5, 5 being high effort) How much effort did it take to conduct your business?	2.51	less than 3	2.68		Target met.
Net Promoter Score (level of likelihood that library users will recommend to friends and family their library as a place to go).	n/a	90%	90%		Target met.
Level of customer satisfaction that the quality of library resources meets their needs.	n/a	90%	90%		Target met.
Percentage of time that access to a free internet service is available in libraries.	100%	100%	100%		Target met

\* Source: "Waikato District Council Ongoing Satisfaction Survey July 2018-May 2019".

\*\* Our survey does not provide us with reasons why we are not meeting some of our targets. Nevertheless, to improve our results, we are undertaking a major internal change management programme to help our organisation meet the needs of our growing customer base.

## What this tells us

A strong focus on engaging with our communities on key issues has not yet been reflected in the customer satisfaction levels for which we're aiming.

We engaged with our communities on a large number of major initiatives through the year, and survey results varied through the year depending on the issues at hand and the level of perceived engagement activity.

## Potential significant negative effects

Potential negative effect	How we are addressing this
Damaged library items	Repaired as condition assessed during the issuing or receiving process, or discarded in accordance with the collections policy.
Inappropriate books/magazines/material in the collection (such as adult material, or offensive to cultures, religion, or in general)	Items are acquired in accordance with the collections policy and catalogued as per the nature of the material.

# Economic development

## What we did

### Strategy

We continued with the programme of work to support growth in areas of identified economic strength for the district and have handled enquiries from overseas as well as domestically.

The growth in employment for the 2018 year was 3.5% compared to the national growth of 3.0% with filled jobs sitting at 22,655 across the district. The largest sectors in employment continue to be in Construction, Manufacturing and Education and Training.

Our International Strategy for Economic Development continues to create relationships with overseas investors and through the Open Waikato site we have created relationships with China and South Korea, where investors are potentially looking to establish businesses in the district.

The Waikato district population grew 2.3% compared to the national growth of 1.9% during 2018.

### Regional Approach

We have committed \$60,000 per annum as part of the Long Term Plan to the Regional Economic Development Agency, Te Waka and are members of the Regional Economic Development Group.

An annual grant of \$150,000 per annum is provided to Hamilton & Waikato Tourism to support the promotion of our district and in particular Raglan as one of our key district destination sites. Visitor expenditure across the wider Waikato region for 2018 was \$1.560 billion, the 5th highest in the country and in the Waikato district the tourism spend was \$127 million.

We are members of the Waikato Wellbeing Plan and work with regional partners to promote the four wellbeings of Economy, Social, Culture and Environment. The Regional Plan is currently being prepared and initiatives being created to support the wellbeings.

The Economic and Community Development unit played a large part in the Blueprint programme currently being developed across the district and next year will lead many of the Economic and Community initiative's identified as important by our communities.

### Local Initiatives

Waikato District Council have supported a variety of events and projects across the district.

The Matariki Fund supported events and projects which helped educate, inform and raise awareness of the practices and traditions of Matariki locally and regionally. These included storytelling, exhibitions and educational performances.

Council have assisted Huntly Friendship House to develop an arts programme that last year included more than 50 local arts and performance workshops involving about 1,400 Huntly residents, as well as an ongoing local 'placemaking' programme to rejuvenate parts of the town centre.

We assisted the Te Kauwhata Community House in delivering its first arts programme this year with help from the Waikato District Council Creative Communities Scheme administered funding.

The Waikato District Council Heritage Project Fund, Wellbeing Trust Fund and Discretionary Grants Fund supported a number of worthy projects and events throughout the district in the 2018/19 year that enabled community groups to meet local needs and aspirations.

These included:

- a family-friendly 'light party' for the Mangatangi community
- the Ngaruawahia United Associated Football Club 50th anniversary celebrations
- a road cycling teams event that involved more than 350 riders on a circuit from Ngaruawahia through the Waikato countryside hosted by the Dynamo Cycling and Sports Club
- the Te Kauwhata A&P Show that attracted people from around the district
- the free Raglan Music and Dance Festival run by Waikato Rocks Trust
- an extension to the heritage train carriage shelter at Pukemiro Junction operated by the Bush Tramway Club
- the production of a local history book and educational resource
- Huntly Volunteer Fire Brigade received a grant towards replacing the brigade's emergency support vehicle

## How we did

Performance measures	2017/18 result	2018/19 target	2018/19 result	Rating	Explanation
The percentage increase in number of business units in the Waikato District. (Same or higher than NZ growth rate in number of business units).	2.1	0.70%*	1.20%		Business units grew by 1.2% compared to the national average of 0.7% in the same period.
The percentage of customers satisfied or very satisfied that the quality of service and expertise meets their needs.	N/A	90%	0%		Unknown, no survey has been conducted.
Business Perception Survey average rating	N/A	Equal or higher than 8.5 out of 10	8.80		We achieved an 8.8 out of 10 rating in the November 2018 Business Net Promoter Score Survey.
The percentage increase in measurable annual tourism expenditure	N/A	9.3%*	14.20%		
The percentage delivery of the Economic Development strategic work programme.	100%	95%	100%		

\* District growth rate greater or equal to the New Zealand growth rate of the same period.

## What this tells us

Our reputation as a place to do business has continued to increase year on year.

We are working hard with Government, industry and our communities to support this growth in a planned way and to underpin a new vision for the district of building liveable thriving and connected communities.

There are no potential significant negative effects associated with this activity.

# Emergency management

## What we did

This year we recruited a Community Resilience Coordinator to assist in the delivery of emergency management and resilience in our communities. This role will assist communities to develop a greater understanding of the hazards and risks that we face, and how through planning and decision making we can increase resilience in our communities so that we are able to better cope and recover when faced with an event of any size that disrupts our lives.

We have been working on the development of our emergency management team leaders and have established a virtual leadership team that consists of our controllers, recovery and welfare managers, and our executive who are our representative body for delivery and progress for our incident and emergency management system. They maintain strategic oversight of all of our incident and emergency management activities, including the Emergency Management team leaders, Emergency Management staff, and the physical resources used to support the information management / emergency management work, as well as the management of the Emergency Operations Centre (EOC).

We completed our Recovery arrangements to ensure that we are able to manage recovery in a way that involves all of our community stakeholders. We are now shifting our focus

to strategic planning, identifying actions that can be taken before an emergency to reduce the impact of the event on communities. Engagement with the community prior to emergencies helps us to prioritise our essential community assets and to prepare for on-going stressors that people and communities inevitably face during recovery.

During the year we took part in several exercises to test our systems and preparedness. These included a flood scenario exercise in September, which tested our resources for establishing a temporary Civil Defence centre and having a fully operational emergency operations centre. In October we participated in New Zealand Shakeout, the national Drop, Cover, Hold drill. Our staff also participated in exercise Rauora II with the New Zealand Police and in a local eruption exercise with Ruapehu District Council.

We continued to improve community understanding and awareness of emergency preparedness through our programme of visits to schools, churches and marae. We attended the Tuarangawaewae Regatta and the Tainui Games to promote Marae being prepared in an emergency, and participated in SAFE Kids alongside other safety organisations.

## How we did

Performance measures	2017/18 result	2018/19 target	2018/19 result	Rating	Explanation
Successfully participate in one exercise per annum that is fully moderated by an external party.	N/A	1	1		Target met.
Council maintains a minimum number of trained staff to Intermediate Level to fulfil core Emergency Operations Centre roles.	N/A	30	85		Target met.
Council maintains a minimum level of trained staff to foundation level to fulfil core Emergency Operations Centre roles.	N/A	100	154		Target met.

There are no potential significant negative effects identified with this activity

# Grants and donations

## What we did

We supported the work of 174 organisations and charities throughout the district this year with grants and donations from Council-owned or administered funds.

From Council-owned funds (see table) we committed more than \$594,000 for distribution to 118 local groups. Of this the largest single amount was \$150,000 to support the work of Hamilton and Waikato Tourism, and this is already paying dividends in joint research and planning work to underpin our growing tourist industry sector in Raglan.

On behalf of the Creative Communities Scheme Fund we distributed \$61,972 to benefit 23 local groups, and the work

of nine more groups benefited from \$187,774 we distributed on behalf of an independent trust we administer, the Waikato District Community Wellbeing Trust (see page 67).

### Council funds committed

Council funds committed for distribution (see table) included \$327,000 for 26 local groups and projects as a result of Long Term Plan pledges. A further \$267,200 of discretionary grants and other funding was committed for distribution to 69 local groups during the year through applications processes managed by Council committees and Community Boards.

Description	Funds committed through Year 2 of LTP 2018/2028 \$	Amount Paid 2018/2019 \$
Twin Arts Information Centre	5,000	5,000
Raglan Museum	20,000	20,000
Waikato District Sports Award	5,000	5,000
Life Education Trust	5,000	5,000
Ecosourced Waikato in the District	2,000	2,000
Waikato district crime prevention	10,000	33,702*
Bush Tramway	1,000	1,000
Te Akau Community	7,000	7,000
Te Otamanui Lagoon	25,000	25,000
Tamahere Community Committee	4,000	0
Hamilton & Waikato Tourism	150,000	150,000
Tuakau and District Museum Society Inc.	10,000	10,000
North Waikato Transport Trust	2,000	2,000
Para Kore	5,000	5,000
Creative Waikato	6,000	6,000
Te Kauwhata & Districts Information and Support Centre	10,000	0
Waikato Coalfields Museum	50,000	50,000
Waikato Biodiversity Forum	3,240	3,000**
Franklin Tourism	2,500	2,500
Matariki Festival (involving 6 local groups)	5,000	4,480
<b>Sub-total / total</b>	<b>327,740</b>	<b>336,682</b>

A total of 69 other groups benefited from:

Heritage Assistance Fund	20,051	19,939**
Conservation Fund Grants	32,402	19,580**
Heritage Project Fund	40,000	36,376**
Community Administration Funding	10,000	1,400**
Discretionary Grants	164,795	155,830*
<b>Total Council funds committed 2018/2019</b>	<b>594,988</b>	<b>569,807</b>

NB – the tables above are run together as a single table as total funds committed are totalled at the bottom.

\*Includes funds committed in 2018/19.

\*\*Amount paid out from committed funds relies on groups securing alternative funding required, or meeting other similar criteria, and this can mean funding may be held over for one or two financial years.

## How we did

Performance measures	2017/18 result	2018/19 target	2018/19 result	Rating	Explanation
Number of discretionary grant funding rounds undertaken per year.	4	4	4		Target met.
The percentage of community funding/grant recipients meeting grant obligations, as evidenced through accountability reports.	100%	100%	95%		Staff continue to ensure funding recipients file a return on time.

There are no potential significant negative effects associated with this activity

# Community Connections (Parks and Facilities)

## What we did

The 2018/19 financial year saw a review of structure for the Parks and Facilities team. During this review, the purpose and deliverables of the team were assessed and as a result of this, a realignment of our teams occurred. The name also changed from Parks and Facilities to Community Connections which reflects the role the team play in our communities. The team is now focussed on three specific work areas – Community Venues and Events, Open Spaces Maintenance and Community Facilities.

### Community Venues and Events

The Community Venues and Events team are tasked with improving the participation of community owned facilities and encouraging the use of our parks and open spaces. The team have started working with community groups to facilitate and enable volunteers and will continue to liaise with members of the public to enhance the customer experience in the coming years. Our work in this areas was recognised in October 2018 when Huntly Aquatic Centre, which is managed by our partners Belgravia Leisure, was awarded the New Zealand Recreation Association's Outstanding Pool Award. This award recognised the excellent customer service, innovative approach to teaching, access and inclusion along with its high percentage of population participating in the "Learn to Swim" programme that the Huntly pool delivers.

### Open Spaces Maintenance

2018/19 saw a busy year for the open spaces team with an additional 12.5 hectares of parkland added to the existing 1,656ha of maintained parkland that are already managed by the team in conjunction with our open spaces partners, Citycare. In addition to normal maintenance, capital improvements were completed to improve and enhance the open spaces available members of the public. These projects included:

#### Tamahere Park

Tamahere playground, skate park and basketball court was completed by Fosters Construction, a combined effort of funding and design by the Tamahere community and Waikato District Council. In the coming year, further work is planned with the addition of seating, walkways and fitness equipment.

#### The Point Playground, Ngaruawahia

Following consultation with Ngaruawahia Community Board and members of the community, the playground at The Point was replaced with natural play equipment that also includes waterplay features. Following internal procurement processes which included the feedback from consultation, the community were presented two options and the new playground was opened in July 2019.

#### Ecological Enhancements

Waikato District Council was once again announced as a finalist in the Society for Ecological Restoration Australasia awards. The awards recognised the continued ecological enhancement of Lake Rotokauri, with the support of external funding. Additional work has also been completed at Shiphed Bush in Otatau where fencing was repaired and

pedestrian access was improved. Pest control and native habitat improvements continue on a number of other reserves throughout the district.

We have continued to improve walking accessibility to Lake Waikare and reduced costs by obtaining offers of grant support from external funders (up to \$170,300 from the Waikato River Authority and Trust Waikato) to help build the paths and lakefront boardwalk. By seeking external funding, staff have been able to do more for less with rate payers' money.

#### Natural Reserves Management Plan

During 2017-2019, staff carried out the required consultation process to review the Natural Reserves Management Plan. This process requires extensive consultation with members of the public, key stakeholders and local Iwi. As a result of this process, a plan has been developed which provides staff and the community guidance on the types of improvements and activities which should occur on these reserves.

### Community Facilities

The Community Facilities team continue to provide repairs and maintenance to the 220 Council owned buildings throughout the district, as well as managing the Council fleet of 91 vehicles and over 20 plant items to ensure that they are safe, maintained, compliant and utilised well. In addition to responding to daily requests for service, staff have carried out renewals at our facilities ensuring the needs of our communities are being met. These projects include re-roofing sports clubs and pensioner houses, upgrading hot water systems and shower facilities in sport clubs, resurfacing the Huntly pools, surveying and cleaning the Raglan Wharf, replacing furniture through libraries, halls and offices, office upgrades to increase capacity, asbestos surveying, insulation upgrades to pensioner properties, installing safety showers and washing facilities for our Waters and Animal Control teams, fleet replacement and fit-out. In addition to this, the team have focused on the following projects this year;

### Huntly Memorial Hall

The Huntly War Memorial Hall was reopened in June 2019 after being closed in 2015 due to the condition of the building. Initial costings suggested that the cost to repair the building exceeded funds available and it was decided to remove the hall. In response to this decision, a project group was established within the community who have been able to undertake a large portion of the repair work for \$140,000, a significantly reduced cost made possible by the support of local businesses, tradesmen and the dedication of the project group.

### Pensioner Housing

Renewals have been carried out at four pensioner units throughout our district, including new bathrooms, flooring, and internal painting. The Jellicoe Ave units in Tuakau had new fencing and two of the units were refurbished. The Willoughby Units in Huntly had the exteriors and all joinery repainted. All units have also had insulation upgraded to meet current legislation standards, and works to repair collapsed drains. The total cost of all these this work was \$165,000.

### Tuakau Library consultation

\$1.25 million of funding was made available during year 1 of the LTP to upgrade the Tuakau Library, and staff have engaged with the community to design what the new space will look like. It is anticipated that building work will commence at the end of February 2020 with completion set for end of November 2020.

## How we did

Performance measures	2017/18 result	2018/19 target	2018/19 result	Rating	Explanation
Percentage of customers who are satisfied with Parks and Reserves, including sports fields and playgrounds overall.	86%	90%	83.30%		Survey results have varied over the year with results ranging from 77% to 91% with an average result of 83%. Survey comments offer insight into common issues such as: lack of suitable reserve land in Pokeno, freedom camping, rubbish left in reserves and lack of toilet facilities, Staff will take into account the comments, investigate and implement solutions if able.
Percentage of customers who are satisfied with the presentation of Council cemeteries.	N/A	95%	91%		Presentation of cemeteries has been good. The wet weather often comes with its challenges however this has not posed a problem so far this winter.
Percentage of new playgrounds built to New Zealand Standard – Playground Equipment and Surfacing (NZS 5828:2015).	N/A	100%	100%		Target met.
Percentage of customers who are satisfied with public toilets in the annual satisfaction survey.	67%	75%	69%		Survey results have varied over the year and we have finished with 69% customer satisfaction. This is disappointing as results peaked at 80% in quarter three. Staff will continue to work with our contractor who keeps the toilets maintained to a high level of cleanliness. Additional cleans are added during peak seasons to ensure customers' expectations are met.
Percentage of new public toilets built to NZS 4241:1999.	N/A	100%	100%		Target met.
Percentage of buildings that require a warrant of fitness and that comply with it.	100%	100%	100%		Target met.

Performance measures	2017/18 result	2018/19 target	2018/19 result	Rating	Explanation
Percentage of customers who are satisfied with the service provided at the Raglan Campground. *	N/A	90%	92.80%		Target met.
Percentage of customers who are satisfied with the service provided at the Huntly campground. *	N/A	90%	82.50		This KPI was not measured. Lake Hakanoa Camping Ground continues to maintain a good relationship with business partners who make up a large majority of the camp's long term bookings. In the past year, customers have responded to a survey with a score of 82.50% satisfaction which is unfortunately below target. Staff will continue to promote great customer service, ensure the facilities are clean and tidy and any repairs and maintenance required are completed in a timely manner.
Percentage of visitors that find the facilities clean, accessible and welcoming (pools).	N/A	90%	91%		Target met.
Percentage of WDC Aquatic Centres that are operated under NZ Pool Safe Accreditation.	N/A	100%	100%		Target met.

\* Our LTP 2018-28 has these two performance measures grouped together. To more accurately report on our performance, we are reporting against each campground individually.

## Potential Significant Negative Effects

Potential negative effect	How we are addressing this
Disability access to facilities	Development of the Disabilities Access Policy. Design and manoeuvrability for wheelchair access, or mobility scooter. New facilities to be designed in accordance with Council's HCC development manual.
Noise and disorderly behaviour issues from events at reserves, and general use of reserves	Events managed in line with Council's terms and conditions of hire. Any disturbance will be handled by local police or noise control if required.
Herbicides impacting environment	Working in conjunction with Hazardous Substances and New Organisms (HSNO) standards for handling agri-chemicals. Enforcing appropriate conduct and use of wash down facilities and hard stands. Ensuring pest and weed control activities are within guidelines.
Damages to property and harm to people from falling trees and branches	Tree maintenance programme according to industry standards. Focus on higher risk areas such as walkways, playgrounds, higher use reserves, and power networks. Responsive to customer requests and cyclical maintenance.
Reserves can create a fire hazard for properties	Management of fire breaks to prevent this effect.
Hazardous chemicals used to keep bio hazards under control, can be harmful if mishandled	Staff training to identify and handle emergency events and safety standards strictly adhered to. Sodium hypochloride used which is safer alternative than traditional chemicals.
Accidents at aquatic facilities	Pools managed to Pool Safe certification standards. Wet floor signage for appropriate areas.
Isolation/location of public toilets leading to safety concerns	Ensure toilets are designed appropriately and located in areas that are easily visible and accessible. Use Crime Prevention Through Environmental Design (CPTED) principles.
Toilets can present a sanitary risk to the community	Included in Water & Sanitary services assessments (three yearly).
Toilets considered to have a negative aesthetic effect	Use of eco design, strategic locations, planting to minimise the impact, environmentally complementary plain colour.
Noise and disorderly behaviour issues from events at cemeteries and general use of cemeteries	Restricted opening hours.
Congregation of undesirable groups with the potential to vandalise equipment	Maintenance regimes in place to rectify any issues, installation of CCTV as appropriate. Use CPTED design principles.
Potential pollution of waterways from cemetery activities	Maintain an adequate separation distance between human remains and the highest seasonal ground water table. Maintain an adequate buffer zone around cemeteries, and plant with deep rooting trees.

# Funding impact statement – Sustainable communities

	2017/18 Long term plan \$'000	2018/19 Long term plan \$'000	2018/19 Actual \$'000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge, rates penalties	19,275	20,155	20,777
Targeted rates	600	704	716
Subsidies and grants for operating purposes	-	60	81
Fees and charges	1,633	1,691	1,536
Internal charges and overheads recovered	282	380	401
Local authorities fuel tax, fines, infringement fees, and other receipts	1,465	1,717	2,021
<b>Total operating funding</b>	<b>23,255</b>	<b>24,707</b>	<b>25,532</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	13,425	14,277	15,509
Finance costs	-	-	-
Internal charges and overheads applied	5,872	5,779	5,271
Other operating funding applications	595	564	591
<b>Total applications of operating funding</b>	<b>19,892</b>	<b>20,620</b>	<b>21,371</b>
<b>Surplus (deficit) of operating funding</b>	<b>3,363</b>	<b>4,087</b>	<b>4,161</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	360	748
Development and financial contributions	1,915	2,632	2,329
Increase (decrease) in debt	3,459	3,479	2,103
Gross proceeds from the sale of assets	-	500	562
Lump sum contributions	-	-	-
Other dedicated capital funding*	-	-	76
<b>Total sources of capital funding</b>	<b>5,374</b>	<b>6,971</b>	<b>5,818</b>
<b>Applications of capital funding</b>			
<b>Capital expenditure</b>			
- to meet additional demand	3,988	4,564	7,426
- to improve the level of service	3,549	4,112	1,577
- to replace existing assets	2,761	3,355	3,475
- Increase (decrease) in reserves	(1,561)	(973)	(2,499)
- Increase (decrease) in investments	-	-	-
<b>Total applications of capital funding</b>	<b>8,737</b>	<b>11,058</b>	<b>9,979</b>
<b>Surplus (deficit) of capital funding</b>	<b>(3,363)</b>	<b>(4,087)</b>	<b>(4,161)</b>
<b>Funding balance for Sustainable communities</b>	<b>-</b>	<b>-</b>	<b>-</b>

\*Other dedicated capital funding for the Sustainable Communities group of activities represents capital revenue for the Ngauwahia golf course to Horotiu section of the Te Awa Cycleway, seating for the Tamahere Sports Ground and a feasibility study for the Whatawhata Community Centre.

# SUSTAINABLE ENVIRONMENT

This group of activities includes animal control, building quality, strategic and district planning, solid waste and environmental health.

Our strategic focus is to develop and maintain an integrated approach to providing sustainable, attractive, affordable and safe options for living, in a way that's in tune with what ratepayers want. We need to provide more streamlined processes that cost less while still delivering required results for our community and Council.

## Animal control

The Animal Control Team provides animal control services through dog registration, complaint response, and impounding wandering stock and animals as required by the Dog Control Act 1996, Impounding of Stock Act 1955, and Council's Dog Control Policies and Bylaws. This is achieved through active enforcement of requirements and via the education of dog owners and the general public.

## Building quality

We protect the community by ensuring that buildings in our district comply with legislation, including the fencing of swimming pools. We process building consent applications and carry out construction inspections.

## Environmental health

We provide a range of services to ensure food outlets maintain high food safety standards, alcohol outlets operate to the conditions of their licences, and that noise and nuisance complaints, hazardous substances and contaminated sites are all managed.

## Strategic and district planning

Land use and growth management planning ensures the district can grow and develop in a sustainable manner and in accordance with the principles contained in the Resource Management Act (RMA) 1991.

## Solid waste

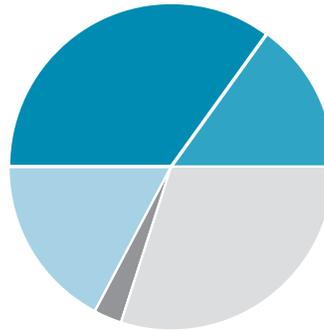
As set out in the Waste Minimisation and Management Plan (WMMP), Council has adopted an aspirational vision of 'Working towards zero waste for the Waikato district.'

The goals of the WMMP are summarised as:

- Working more closely with our communities in managing waste;
- Working more closely with the growing waste management industry in the district and the other councils around us;
- Improving our kerbside recycling collections;
- Considering ways to reduce the amount of rubbish we collect and how much it costs; and
- Improving transfer stations to recover and recycle more material than we do now.

## How we paid for it

### Operational Funding



<b>35%</b>	General rates, uniform annual general charge, rates penalties
<b>15%</b>	Targeted rates
<b>30%</b>	Fees and charges
<b>3%</b>	Internal charges and overheads recovered
<b>17%</b>	Local authorities fuel taxes, infringement fees and other receipts

# Animal control

## What we did

Animal Control have been proactive in the community by organising and running events, including the popular ‘Dirty Dog’ event, which attracted nearly 300 dogs and their owners this year. This was a fantastic opportunity to engage positively with customers in an informal way, drawing much social media interest and positive comments.

Two ‘Pound Pups Pool Parties’ were also organised in Tuakau and Ngaruawahia. Owners were invited to swim with their dogs before the pools were closed for the winter. A new event planned for next year will be a “community day” involving microchipping, vaccinations and registrations.

Overall, our engagement with the community has been consistently strong with statistics supporting this proactive approach. The engage, educate and enforcement approach has also seen a reduction in the number of infringements issued and this can be linked to increasing customer satisfaction.

Review of the 2018 dog registration process, incorporating the new Enterprise Cash Receipting (ECR) system was undertaken involving seven council teams, and improvements have been made for the coming year. Increased clarity around

payment amounts and dates in particular has been well received. Customer feedback will be utilised to guide future improvements.

The percentage of aggressive dog behaviour complaints attended by staff within target was slightly down, but education visits were well above target with a focus on youth education including ‘Dogs in Libraries’ and school visits.

The growth for the Dogs in Libraries programme is continuing, where people are able to read to one of 6 fully trained and temperament tested dogs. The current programme is being translated into Te Reo so that we can deliver to it our Maori speaking schools (kura kaupapa) in the coming terms.

The team continues to be trained and developed to a high standard, ensuring they are able to meet the increasing complexity of cases including leadership and succession development.

The passing of the Arms Amendment Act 2019 has prompted a review of our firearms policy. The review will be conducted by a working group of experienced firearms users within the Animal Control Team.

## How we did

Performance measures	2017/18 result	2018/19 target	2018/19 result	Rating	Explanation
The percentage of aggressive dog behaviour complaints, where immediate risk to public safety is present, that has council personnel on site within 1 hour.	96%	95%	95%		Target met
The percentage of complaints regarding stray stock that have council personnel on site within 1 hour.	96%	95%	98.21%		Target met
The number of reported serious dog attacks on people in public places (where medical attention is required) that occur in our district does not exceed 10 per year.	N/A	10 or less	15		This is the first year this KPI has been measured and the target may have been optimistic. There is work being done in education and enforcement and numbers will continue to be monitored.
Complete Engagement and Education visits throughout the district.	N/A	120 per annum/ 10 per month	152		Target met

## Potential significant negative effects

Potential negative effect	How we are addressing this
Injury to Animal Control Officers from attack by dog owners, dogs and livestock	Continue to provide ongoing training and ensure the correct and required personal protection equipment is provided.
Dog owners disgruntled by enforcement action taken against them	Professional and courteous enforcement.
Members of the public are at risk from dog attack	Ensure animal control services are maintained at a level to ensure stray dogs are impounded.
Dog control activity is predominantly paid for through registration of known dogs which may not target those that use the service	Implement cost recovery options where possible.

## Building quality

### What we did

#### Building consent systems

We have imbedded our new digital 'back-of-house' systems to improve efficiencies in handling consent applications. Around 80 per cent of our building consent customers now use the new paperless system and any paper-based applications are scanned into the system for consenting purposes. The customers using the digital system have said that it's saving them time and money. The plan for the future is to augment the system with an online portal which will make lodging consents via the internet even easier.

#### Inspections

The use of portable tablets for building inspections has been a big step-change for the building industry and our staff. The use of the tablets and electronic check-sheets allows the document to be emailed directly to the customer, agent or contractor at the conclusion of the inspection. If the customer wishes we can also print out a copy of the check-sheet on site.

We have once again met our targets for swimming pool inspections as a result of new legislated authority. An increased capacity following the slowdown in new house building has helped us deliver this outcome without the need to employ a dedicated role. We also met our targets for auditing buildings with WOFs.

#### Accreditation

Staff who obtained their diploma-level qualifications by the end of the 2018 calendar year so that we continue to meet Building Consent Authority accreditation requirements. This has been a huge commitment in time and effort for those concerned. We also had our biannual assessment in February by International Accreditation New Zealand which we passed and were awarded continuation of our accreditation as a Building Consent Authority.

### Issues

#### Consents processing

Changes that have reduced pressure in the housing market mean building consent numbers have dropped slightly in the past year to 1,796 overall (1,751 last year) with consents for new dwellings falling to 566 across the district (from 566 last year). Nevertheless, the Waikato district remains one of the fastest-growing districts in the country measured by new dwelling consents, so the respite may be temporary.

Our new paperless system is bringing increased efficiencies and will continue to do so in the future, but at times – during its introduction and bedding-down phase – we were unable to maintain statutory timeframes for consents. We have put in place contingency plans for increasing staff levels as and when required.

#### Assessment of earthquake-prone buildings

New legislation came into effect in 2017 giving us five years to finish identifying potential earthquake-prone buildings in the district, and requiring affected owners to undertake an initial seismic assessment (ISA). In anticipation of the legislation we had already identified about 416 buildings in the central and southern parts of the district. We have now carried out 81 assessments in the north Waikato area, including Pokeno, Tuakau and Port Waikato, before reclassifying buildings already identified in line with the new legislation.

## How we did

Performance measures	2017/18 result	2018/19 target	2018/19 result	Rating	Explanation
The percentage of existing buildings with building WOFs that are monitored and audited for compliance annually.	40%	33%	35%		Target met
The percentage of buildings that provide sleeping care or paid accommodation that are audited for compliance annually.	100%	100%	100%		Target met.
The percentage of swimming pools that are inspected for compliance annually.	35.5%	33%	64.65%		Target met
The percentage of building consent applications that are processed within 20 working days.	97.8%	100%	98.83%		Out of the 1,796 building consents we have received, 21 were not processed within the 20 working day timeframe.

## Potential significant negative effects

Potential negative effect	How we are addressing this
Legislation is requiring more Council input into plan review and building inspection, which increases costs	Council has to react to new legislation, but tries to limit the cost increase as much as possible.
Non-compliance requires Council to take offenders before the Courts	Prosecution of blatant offences against the Building Act is necessary to reinforce compliance, maintain equity for those who obtain consents and fulfil statutory duty.
The time to process applications might be regarded as a delay to construction	This is mitigated through the simplification of the consent process.
Leaky homes are identified	More thorough vetting of the drawings, inspections by better trained and highly skilled inspectors, will assist in reducing the incidence of leaky homes.

# Environmental health

## What we did

The Food Act 2014 came into force on 1 March 2019 with the transition timeline for existing food operators ending on 28 February 2019. All existing operators were successfully moved to the new food regime and are now registered under the Food Act 2014.

The Act allows food businesses to operate a risk-based measure to manage food safety in a way that suits their business, based on the level of food safety risk involved. This risk-based measure must be verified by an approved verifier.

Council environmental health service delivery processes were comprehensively audited by JASANZ (Joint Accreditation System of Australia and New Zealand) in late 2018 and Council are now approved as a recognised agency by the Ministry for Primary Industries (MPI) to provide verification services within the district. Currently two Environmental Health Officers are also individually approved by JASANZ and MPI to carry out

verification of food businesses. Recognition of the three newly recruited team members as verifiers will be progressed in line with their experience and development over the next year.

Staff are continuing to provide guidance and mentoring sessions for new and existing food businesses in order to help with registration and verification of their food business.

Several bylaws have been reviewed this year, and in collaboration with the strategic team, proposals have been made to Council for review or change as appropriate.

Processing alcohol applications under Sale and Supply of Alcohol Act 2012 to meet statutory deadlines and appearance at District Licensing Committee hearings required more co-ordination this year by existing staff while recruitment was being progressed.

## How we did

Performance measures	2017/18 result	2018/19 target	2018/19 result	Rating	Explanation
The percentage of licensed food premises that are inspected/verified annually.	100%	100%	78%		This KPI is for food premises verified under the new Food Act. Verification is staggered and carried out over 18 months or more. This means that while we are compliant with legislated requirements, 100% of premises won't be verified in one financial year.
The percentage of medium risk or higher fee category licensed premises that are inspected annually.	100%	100%	100%		Target met.
Percentage of excessive noise complaints responded to within agreed timeframes.	83.6%	85%	72.77%		This is a contracted service and work is being done through monthly meetings with the contractor to increase their performance to meet KPI's in future years. There have been a number of changes in their organisation which should mean better contract compliance in the future.
The percentage of hazardous land use information (HAIL) reports that will be completed within 10 working days.	N/A	90%	98.40%		Target met.
Percentage of environmental health complaints where the customer has been contacted within 3 working days.	91.6%	90%	57%		Throughout the year the team has experienced turnover of staff which has reduced capacity to meet service level targets. The team will be up to full capacity and capability by July 2019 which will enable the team to meet targets for the 2019/20 year.

There are no potential significant negative effects associated with this activity.

# Strategic and district planning

## What we did

### Giving effect to Council's Vision

Over the past year we focussed our planning efforts to give effect to our vision of creating 'liveable, thriving and connected communities'.

We have partnered with Central Government, iwi and local councils (Auckland Council, Hamilton City Council, Waipa District Council and Waikato Regional Council) in developing a preferred spatial approach for the Hamilton to Auckland Corridor. The Central Government political lead for this programme is the Minister for Housing, Urban Development and Transport.

The spatial intent for the Corridor also recognises and aims to support the district-wide planning that has been done by Council through our District Blueprint and Local Area Blueprints.

We notified our Proposed District Plan in July 2018 and invited the public to make submissions on its objectives, policies and rules. The Proposed District Plan provides updated guidelines for development of our communities including rules for protecting the district's environment and heritage. We received close to 1,000 submissions which have since been summarised and sent out for further submissions.

### Sub-regional and regional

#### Hamilton to Auckland Corridor Plan

In May 2019, Council endorsed the Hamilton to Auckland Corridor Plan's Draft Shared Statement of Spatial Intent after almost a year in preparation. This document:

- Outlines the shared objectives;
- Sets out key opportunities, challenges and constraints and solutions; and
- Contains maps and supporting statements that set out the preferred spatial approach.

The document provides a 100 year view for future urban growth and development along the corridor from Papakura to Cambridge/Te Awamutu together with a draft programme of twenty key transformative projects. Further detail on the shared spatial intent will emerge through the development of the Hamilton-Waikato Metropolitan Spatial Plan (which includes a mass transit plan) as well through two of the other initiatives currently underway within the Waikato district, the Pokeno and surrounds spatial plan, and the Huntly and surrounds spatial plan.

We worked with our partners (Waikato Regional Council, Hamilton City Council, Auckland Council, Auckland Transport, New Zealand Transport Agency and KiwiRail) in developing the Hamilton to Auckland Transport Connections Strategic Business Case. This set the strategic context for the development of a Single Stage Business Case for the start-up passenger rail service between Auckland and Hamilton.

The sub-regional three waters study is investigating how best to service growth and development within the Waikato/Waipā/Hamilton sub-region using a best-for-communities and best-for-river approach.

Work has also started on the preparation of a strategic business case for rapid rail between Hamilton and Auckland.

#### Future Proof

We took the lead in designing the institutional structure for an expanded Future Proof partnership to provide governance ownership and oversight of the Hamilton to Auckland Corridor Plan.

Our Council approved evolving the current Future Proof partnership arrangements to bring in the Hamilton to Auckland Corridor work as a significant workstream of Future Proof. It has also endorsed expanding the structure and membership of Future Proof to include Central Government, Auckland Council, the Papakura Local Board, the Franklin Local Board and relevant iwi from northern Waikato/southern Auckland to join the Future Proof partnership as associate members.

Phase 2 of the review of Future Proof has begun and will finish in early 2020 once the Hamilton to Auckland Corridor Plan is further advanced. The Future Proof Strategy incorporates the Future Development Strategy, a requirement under the National Policy Statement on Urban Development Capacity 2016 (NPS-UDC). Together with our Future Proof partners we also produced a monitoring report for the Future Proof sub-region prepared in support of the NPS-UDC.

#### Waikato Plan

The Waikato Plan is the vehicle for the Waikato region to collaborate on regional issues, to advocate to Central Government for the Waikato region, and to harness the resources and opportunities of the Waikato as a collective to go further and achieve more together.

We have worked with our partners in progressing the following key actions identified by the Waikato Plan Leadership Joint Committee over the past year:

- The development of a regional housing stock profile
- Developing a project that looks at youth and employment
- Understanding better mental health across the region

## District wide

### Blueprints

We co-developed the Waikato Blueprint with our communities through a series of intensive consultation and inquiry-by-design workshops between July and November 2018.

The aim of the Blueprint is to provide a high-level 'spatial picture' of how the district could progress over the next 30 years, addressing the community's social, economic and environmental needs.

The Blueprint will provide Council with an effective and legible tool to move from vision to strategy, and from strategy to action by setting out specific, prioritised initiatives at the district and local level. The District Blueprint identifies nine themes and related initiatives which will further help in giving effect to Council's vision. In addition to the nine district-wide themes and related initiatives, 15 Local Area Blueprints have been developed.

### Proposed Waikato District Plan

Finalising the Draft District Plan - Stage 1 was the main focus of the Resource Management policy planning team during the first half of 2018. Stage 1 of the Proposed District Plan was publically notified in July 2018 with an extended submission period of three months. The submission period was supported by a series of public drop in sessions across the district to give the public an opportunity to talk about it with our planning team. There was also an independent planner at the drop in sessions to assist people with preparing their submissions.

Over 900 submissions were received which resulted in over 9,000 individual submission points. Further submissions were called for in April 2019. This has been supported by an online tool which shows the location of submissions that can be shown spatially. Hearings are to start in September 2019.

Stage 2 of the District Plan Review covers the natural hazards and climate change topics and is still under review. Land subject to coastal inundation, coastal erosion and flooding from the Waikato and Waipa rivers is being identified through a coastal hazards assessment that focusses mainly on Raglan and Port Waikato urban areas and flood modelling. The flood modelling and coastal hazard assessment both incorporate the effects of climate change over a 100 year period. The team has also held public and iwi consultation sessions in Raglan and Port Waikato to collect information in relation to areas that is currently at risk of coastal erosion and inundation.

Stage 2 is currently on track to release a draft for consultation in September 2019, which will allow for public feedback on identified hazard areas as well as feedback on the draft rules for development in these areas. Public notification of Stage 2 is currently scheduled for early 2020.

## Consents

The consent team handled 1,046 resource consent and related applications this financial year.

While this is down 16% from last year, the number of lots consented from subdivisions is high at 1,184.

There were 3,774 enquiries handled by our Duty Planners which is down slightly by 5%.

The number of LIMs processed were also down slightly by 3.6% at 1,289, but the number of property enquiries processed was the same as last year at 1,917.

The team worked with eight other Waikato based councils to produce common resource consent application forms and letters.

These were launched March 2019 as part of the Aligned Planning Project. The team is now resourced and able to provide Duty Planner service direct from our Tuakau Office once a week, providing a local service to our northern customers.

## Highlights

- Development and endorsement of the Hamilton to Auckland Corridor Plan's Draft Shared Statement of Spatial Intent;
- Leadership role played by Waikato District Council within the Future Proof partnership leading to the creation of an expanded Future Proof governing structure to support the Hamilton to Auckland Corridor Plan;
- Development of a District Blueprint and 15 Local Area Blueprints with our communities;
- Hamilton to Auckland Transport Connections Strategic Business Case;
- Hamilton to Auckland Start Up Passenger Rail Single Stage Business Case;
- Public notification of the Proposed Waikato District Plan – Stage 1;
- Summary of submissions published for the Proposed Waikato District Plan – Stage 1;
- Development of an online GIS tool to assist with further submissions;
- This was the first full year of processing Permitted Boundary Applications, a new type of application introduced under the 2017 amendments to the Resource Management Act. We processed 153 of these (18% of our work) which provided a quick cost effective service for customers (consents are issued within 10 days with a small set fee).

## How we did

Performance measures	2017/18 result	2018/19 targets	2018/19 results	Rating	Explanation
The percentage of resource consent applications which are processed within statutory timeframes.	99.6%	100%	98.85		We had 871 resource consents issued. Of these, 10 were not issued within statutory timeframes (9 had delays at lodgement and 1 had a delay with a technical report).
The percentage of current land use consents that are older than two years which have been monitored in the past two years.	80%	More than or equal to 80%	89%		Target met.
The number of parking patrols that are carried out in communities that have parking controls under the bylaw.	N/A	More than or equal to 150	152		Target met.

## What this tells us

This past year has seen a lot of the planning effort being focussed on giving effect to Council's vision. We are also in the process of developing a Planning Roadmap which will further augment this focus over the coming year.

The Proposed Waikato District Plan is on track to commence Stage 1 hearings in September 2019 and Stage 2 notification in early 2020.

While the overall number of resource consents and related applications handled by the Consent team is down slightly this year (1,046), over the last four years numbers have continued to be elevated (average of 1,104) compared to 5 years ago (only 746) which is a sustained increase of 32% compared to 5 years ago (2014/15yr).

## Potential significant negative effects

Potential negative effect	How we are addressing this
Planning may increase development costs, through compliance costs, development levies or financial contributions	Benefits flow back to developers from improved environmental quality, and provision and co-ordination of services such as infrastructure, and any net negative effect is not significant.
Non-compliance with statutory requirements for the issuing of resource consents may cause delays	Improvement of systems is ongoing to ensure continual improvement in services.
Inadequate or harsh monitoring of District Plan requirements may discourage development, affecting the economy in the district	Apply a reasonable, concise, consistent monitoring process.

# Solid Waste

## What we did

Based on a waste assessment conducted between August 2017 and February 2018, it was determined the Waikato district generates about 52,000 tonnes of waste (excluding farm waste) to landfill each year – an average of 750kgs per person every year – and diverts about 71,000 tonnes of material through reuse, recycling and composting. This assessment informed the Waste Management & Minimisation Plan (WMMP) 2018-2024. The WMMP sets out goals, objectives and targets to guide us towards waste avoidance, reduction and recovery.

The foodwaste service in Raglan continued as a fully funded trial during the year. Public consultation was completed over March and April 2019 to assess community support for a targeted rate to be implemented to continue the service. While there was general support from the community, only 40% were prepared to pay a targeted rate. Council supported the Raglan community and no targeted rate was set. Xtreme Zero Waste, with Council support, has elected to continue the service utilising external sources of funding.

Additionally, the Para Kore programme has been busy. Central Kids Huntly Kindergarten are keen composters with their new Hungry Bin worm farm and the kindy's landfill volumes has reduced by half since the beginning of the year. Council also continue support the Enviroschools programme with the aim of fostering a generation of people who instinctively think and act sustainably. The programme supports children and young people to plan, design and implement sustainability actions that are important to them and their communities. There are 18 Enviroschools in this district.

Whatawhata students have been very engaged and have created an edible entranceway to the nature trail, 'Kuhunga'. Kuhunga was officially opened with representatives from the local community and Council partners in attendance. The school front gardens were developed to provide local produce for the school lunches.

Tamahere School engaged in social and economic sustainability with the 'Change for Change' programme – in which classes picked a charity or organisation and identified ways to support them by holding a market day to raise funds and awareness of various charities. This included a school production of 'The Mauri of Pirongia' which raised awareness of the mountain and \$1,300 was donated to Pirongia Restoration Society. Furthermore, they have sold their garden produce to the community and Punnet (local cafe).

Tuakau School during Term 3 focused on a Te Awa inquiry which raised children's awareness of how their actions affect the health of the river and the fish in the river. Horsham Downs and Horotiu are connecting with Council through the 'Water Day' and planting along the river.

Waipa District, Waikato Regional, Hamilton City and Waikato District Council's Waste Minimisation teams (known as the SWAG) continue to work together to find synergy to deliver waste minimisation across the three districts. Some of this year's work has included contributing to Nourish magazine, developing a workplace waste guide and working with businesses to reduce waste.

An inorganic collection was not rated or provided for in the 2018/19 financial year but planning for future events is underway.

## How we did

Performance measures	2017/18 result	2018/19 target	2018/19 result	Rating	Explanation
The percentage of schools in the district that receive solid waste education.	77.6%	55%	63.30%		Target met
The percentage of kerbside collection complaints that are resolved within agreed timeframes.	89.3%	97%	88.80%		Five days is the agreed timeframe for customer response. Some complaints required site visits and interaction with contractors and customers resulting in longer resolution times.
The % of time a contractor was engaged within 5 days from receiving the service request to remove rubbish to resolution.	N/A	95%	92%		A total of 743 service requests for 2018/2019 reporting period were received – 56 of which were resolved outside of the 5 day limit.

## Potential significant negative effects

Potential negative effect	How we are addressing this
Increase in the amount of refuse to be disposed as population increases over time	Council acts as the advocate for waste reduction through the adoption of the Waste Minimisation & Management Plan. Council also supports education initiatives and provides education material for its customers.
Environmental impacts caused by the discharge of contaminants to land and water from closed landfills	Compliance with resource consent conditions that stipulate the frequency and parameters to be monitored.
Ease of disposal, through convenient waste management services, encourages increased quantities of material to be sent to waste by customers	Education and programmes to build awareness and foster ownership of waste minimisation within the community.
Potential impacts on customer satisfaction due to service failure /delays /responsiveness	Monitor and report on Levels of Service and in service provider contracts. Seek to resolve customer complaints to 'close the loop'.
Health and safety risks associated with the operation, maintenance, or construction of solid waste infrastructure	Ensure compliance with legislation and health & safety management plans. Maintain an incidents register.
Under-provision of recycling facilities fails to promote a positive shift in the community's attitude to waste	Each main urban community in our district has green waste and/or recycling facilities.
Waste entering the water bodies affect the mauri of the environment	Each main urban community in our district has green waste and/or recycling facilities.

# Funding impact statement – Sustainable environment

	2017/18 Long term plan \$'000	2018/19 Long term plan \$'000	2018/19 Actual \$'000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge, rates penalties	7,191	7,926	7,874
Targeted rates	2,572	3,458	3,453
Subsidies and grants for operating purposes	-	-	-
Fees and charges	6,350	7,347	6,878
Internal charges and overheads recovered	677	762	758
Local authorities fuel tax, fines, infringement fees, and other receipts	2,986	4,215	3,991
<b>Total operating funding</b>	<b>19,776</b>	<b>23,708</b>	<b>22,954</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	14,019	17,509	17,061
Finance costs	-	-	-
Internal charges and overheads applied	5,742	5,938	5,336
Other operating funding applications	8	39	63
<b>Total applications of operating funding</b>	<b>19,769</b>	<b>23,486</b>	<b>22,460</b>
Surplus (deficit) of operating funding	7	222	494
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Applications of capital funding</b>			
<b>Capital expenditure</b>			
- to meet additional demand	-	-	-
- to improve the level of service	16	-	-
- to replace existing assets	5	153	57
Increase (decrease) in reserves	(14)	69	437
Increase (decrease) in investments	-	-	-
<b>Total applications of capital funding</b>	<b>7</b>	<b>222</b>	<b>494</b>
Surplus (deficit) of capital funding	(7)	(222)	(494)
Funding balance for Sustainable environment	-	-	-

# ROADING

## What we did

The roading activity is delivered by the Waikato District Alliance, a partnership between Council and Downer NZ established four years ago. The contract brings together the resources of the two parties under a collaborative structure which is focussed on delivery of a best for network solution. The roading network is benefitting from this innovative delivery model with many of our performance measures being exceeded.

### Planning for growth

Developments in strategic locations are creating increased traffic flow and network configuration changes across the network. New residential subdivisions are helping support the growth associated with construction of the Waikato Expressway.

We continue to create new infrastructure in Pokeno, Te Kauwhata and Tuakau and we are working with developers to support initiatives in roading and bridgework for the Rangitahi Peninsula development in Raglan.

Appointment of Downers NZ as the contractor for the proposed new Mangawara Stream Bridge at Taupiri has resulted in a construction programme which will commence in the new financial year.

### Waikato Expressway

The Waikato Expressway projects are nearing completion and will bring long term benefits to the district. We managed the effects of construction traffic on local roads through discussion and agreements with the New Zealand Transport Agency (NZTA) and its contractors. We monitored the impact of increased truck movements on the condition of our roads to adjust maintenance regimes and safety measures as required.

Once the Expressway is complete, almost 90kms of old State Highway and 5kms of new local roads will have been added to the local road network. Maintenance for these roads was factored into our Long Term Plan 2018-28 budgets and we continued discussions with NZTA on how to mitigate the impact of this change on our communities.

### Network Safety

NZTA introduced a new framework for assessing speed limits in 2017/18. We used the new guidelines to assess and make changes to speed limits and have completed two years of a three year programme. We are part of a team that has developed a regional approach to speed management so there is consistency across the region. Our work on the Speed Bylaw has assisted other councils embarking on their own changes.

In June 2019 the Ministry of Transport announced a change to the Road Safety Strategy. Moving from "Safe Systems" to "Vision Zero", we will be undertaking feedback and assessing the implications on our future programmes in the coming months.

## Supporting Freight Movement

We have adopted a cautious approach to increases in the allowable maximum weights for heavy vehicles, and – except for the Tainui Bridge at Huntly – we have been guided by structural analysis in deciding not to open our Waikato River bridges to heavier vehicles. We are working with industry in developing our plan for implementation across the network.

We have used delineation (no passing lines and wide edge lines) to trial effects on reducing speed on high risk rural roads. An unobtrusive permanent radar unit has monitored the incremental changes. This trial has resulted in a 5-8km/h reduction in speed without having to make speed limit changes.

### Road safety and education

We have completed more than \$2m of safety improvements in our Low Cost Low Risk programme, \$1.7m of which has attracted Enhanced NZTA FAR subsidy of 76% (TEFAR), saving Council more than \$2.5m over the current Long Term Plan.

We continue to work with the New Zealand Police, NZTA and other agencies to deliver a road safety education programme covering issues such as driver fatigue, driving to the conditions, and drink driving. We ran skills training days, workshops, roadside education stops and advertising campaigns. We worked with community volunteers to mentor young learner drivers and ran 'young driver training days' focussing on driving skills and vehicle maintenance for young drivers about to sit their restricted or full licence.

### Alternative transport modes

With the successful delivery of the Perry Bridge and associated cycleway last year, Council has continued to focus on the next stage of the Te Awa cycleway project from Cambridge to Hamilton for the 2018/19 financial year jointly with Hamilton City and Waipa District Council. The bulk of work has been in the planning, design and property negotiation area which will allow delivery to commence in 2019/20. In addition, Council has also been planning the design and delivery of the Mangawara Stream Bridge which is a single lane structure with associated shared path linking the Taupiri community to the urupa in the North. 4.62 kilometres of new footpath has been constructed, providing improved linkages and enhancing pedestrian safety across our communities.

### Road surfacing and strengthening

We have re-surfaced 125.5 kilometres of sealed roads, completed 9.8 kilometres of pavement rehabilitation and graded approximately 1,400 kilometres of unsealed roads.

## How we did

Performance measures	2017/18 result	2018/19 target	2018/19 result	Rating	Explanation
The change from the previous financial year in the number of fatal and serious injury crashes on the local road network.	+1	Reduction of 1 on previous year -1	-5		Target met. Last year there were 49 fatal and serious injury crashes recorded. In the current reporting year there have been 44 recorded.
The average quality of ride on a sealed local road network, measured by smooth travel exposure.	97%	Minimum 91%	97%		Target met.
The percentage of footpaths that fall within the level of service or service standard for the condition of footpaths that is set out in the LTP.	99.7%	Greater than 90% or at category 3 or better	-		Footpath rating was not included as part of Council's agreement with its contractor for this financial year. Rating will be carried out in the first quarter of the 2019/20 year.
The percentage of the sealed local road network that is resurfaced.	6.9%	Minimum 6%	7%		Target met.
The percentage of customer service requests relating to roads to which we respond within the timeframes specified.	97.2%	80%	97.24%		Waikato District Alliance continue to exceed customer service request targets due to a strong focus on customer service request responses and timeframes.
The percentage of customer service requests relating to footpaths responded to within the timeframes specified.	94.9%	80%	95.51%		Waikato District Alliance resourcing has allowed greater focus on customer service requests than anticipated when the target was set.

## What this tells us

We surpassed our targets for the quality of the roading and for our responsiveness to customers' maintenance requests. We made good progress on planning for new developments, but changes are required to accommodate new proposals and

these need to be co-ordinated with requirements for water, power, and telco infrastructure as well as our renewal projects.

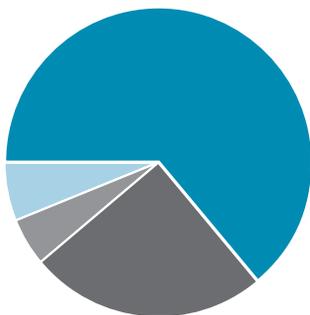
## Potential significant negative effects

Potential negative effect	How we are addressing this
Road and environmental factors can contribute to crashes, particularly those that involve loss of control	NZTA monitors and records through the Crash Analysis System (CAS) the percentage of accidents caused by loss of control. Undertake crash reduction studies (CRS). Maximise funding for minor safety works.
Increased traffic congestion on existing transport network	Roading contributions imposed under consent conditions contribute to road upgrading.
The particular needs of cyclists and pedestrians and their conflicts with other forms of traffic	Implement the recommendations of the Walking and Cycling Strategy.
Speed restrictions imposed on inappropriate locations causing speed limits to be ignored	Speed limit surveys carried out and resulting recommendation in accordance with Speed Limit NZ and Transport Agency rules.

Potential negative effect	How we are addressing this
If effect is not given to the Livestock Movement Bylaw 2011 then existing crossings will remain with resulting traffic hazards and public nuisance	Monitor to ensure the appropriate and safe crossing of cattle as per bylaw.
Economically, the cost of desired infrastructure improvements may exceed the community's ability to pay	Consult with the community on all costs and options for levels of service through the Long Term Plan process.
The quality of surface runoff from roads that discharges into adjacent coastal or other waters	Compliance with resource consents and Council's engineering standards and guidelines. Environmental controls.
Dust nuisance	Track and record complaints and comply with resource consent conditions during construction activities.
Danger to people and property and high social cost from crashes	Continuing the programme of road safety improvements.
Main roads can divide communities	Continuing to advocate for by-passes around urban centres.
Potential for negative impacts from traffic noise and vibration to properties adjoining roads	High use roads are usually surfaced with asphalt to improve useful life and level of service. Traffic calming will avoid use of speed humps. Specific issues will be investigated and mitigation measures undertaken as appropriate.
Potential for air pollution from traffic fumes to affect health	Continuing to advocate for by-passes around urban centres.
Heavy traffic volumes can lead to loss of amenity in urban areas	Continuing to advocate for by-passes around urban centres.
Provides easier access to sites that are culturally sensitive	Continuing to better identify sites of cultural significance.
Potential for road construction to disturb sites of cultural significance, including waahi tapu	Continuing to invest in good relationships with tangata whenua.

## How we paid for it

### Operational funding



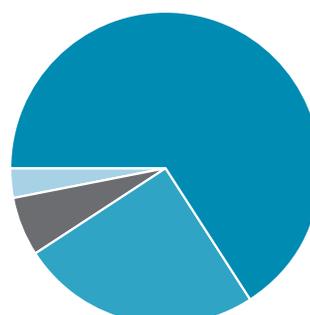
**64%** General rates, uniform annual general charge, rates penalties

**25%** Subsidies and grants for operating purposes

**5%** Internal charges and overheads recovered

**6%** Local authorities fuel taxes, infringement fees and other receipts

### Capital funding



**66%** Subsidies and grants for capital expenditure

**25%** Development and financial contributions

**6%** Increase (decrease) in debt

**3%** Other dedicated capital funding

# Funding impact statement – Roading

	2017/18 Long term plan \$'000	2018/19 Long term plan \$'000	2018/19 Actual \$'000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge, rates penalties	19,534	21,374	20,741
Targeted rates	-	-	-
Subsidies and grants for operating purposes	8,380	8,284	8,246
Fees and charges	145	153	136
Internal charges and overheads recovered	4,736	2,185	1,773
Local authorities fuel tax, fines, infringement fees, and other receipts	458	2,569	1,853
<b>Total operating funding</b>	<b>33,253</b>	<b>34,565</b>	<b>32,749</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	18,461	20,564	18,432
Finance costs	-	-	-
Internal charges and overheads applied	6,489	4,549	3,347
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>24,950</b>	<b>25,113</b>	<b>21,779</b>
<b>Surplus (deficit) of operating funding</b>	<b>8,303</b>	<b>9,452</b>	<b>10,970</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	9,091	11,050	9,667
Development and financial contributions	1,771	1,011	3,562
Increase (decrease) in debt	2,340	5,274	804
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding*	-	-	393
<b>Total sources of capital funding</b>	<b>13,202</b>	<b>17,335</b>	<b>14,426</b>
<b>Applications of capital funding</b>			
<b>Capital expenditure</b>			
- to meet additional demand	3,206	4,672	3,731
- to improve the level of service	2,560	7,053	1,216
- to replace existing assets	16,930	18,197	17,197
Increase (decrease) in reserves	(1,191)	(3,135)	3,252
Increase (decrease) in investments	-	-	-
<b>Total applications of capital funding</b>	<b>21,505</b>	<b>26,787</b>	<b>25,396</b>
<b>Surplus (deficit) of capital funding</b>	<b>(8,303)</b>	<b>(9,452)</b>	<b>(10,970)</b>
<b>Funding balance for Roading</b>	<b>-</b>	<b>-</b>	<b>-</b>

\*Other dedicated capital funding for the Roading group of activities includes a contribution towards the Taupo Mangawara stream Crossing project and capital revenue for motorcycle safety upgrades.

# STORMWATER

## What we did

We completed a schedule of minor upgrades across the district, installed new pipes to increase stormwater capacity where required and completed the planning and investigations required for the district's Long Term Plan 2018-28.

We have used CCTV to survey 10.5 kilometres of our critical stormwater pipe. These surveys will be assessed and where condition of the pipes is sub-standard they will be rehabilitated or renewed in our storm water renewal programme.

We have completed a modelling study which identified overland flow paths for 1% Annual Exceedance Probability (AEP) rain event through much of the district; this will assist Council in identifying roads and properties which are flood prone.

### North Waikato

We oversaw development-led extensions of the stormwater network, stormwater treatment ponds and riparian planting beside streams in Pokeno to ensure that stormwater management keeps up with growth in the area. The Pokeno stormwater model has been updated to give more confidence in flood prone locations and to understand the impacts of urban development and climate change.

We also continued work on a stormwater catchment management plan for the Tuakau area.

### Raglan

We continued work to upgrade the Raglan stormwater network to mitigate flooding issues and to improve catchment management.

### Mid Waikato

We commenced work on developing a stormwater catchment management plan for Te Kauwhata, early stages have included significant amounts of asset data capture.

## How we did

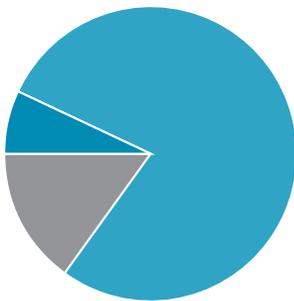
Performance measures	2017/18 result	2018/19 target	2018/19 result	Rating	Explanation
The number of flooding events that occurs in the district.	0	Less than 5 events per annum	0		Target met.
For each flooding event, the number of habitable floors affected (expressed per 1,000 properties connected to the stormwater system).	0	0.30	0		Target met.
The median response time to attend a flooding event, measured from the time that Council receives notification to the time that service personnel reach the site.	0	Less than or equal to 2 hours	0		Target met.
The number of complaints received by Council about the performance of its stormwater system, expressed per 1,000 properties connected to the stormwater system.	0.47 per 1,000 properties per quarter	Less than 6 per 1000 properties per year	2.03		Target met.
Council's level of compliance with resource consents for discharge from its stormwater system, measured by the number of the following notices, orders or convictions received in relation to those consents:  -Abatement notices -Infringement notices -Enforcement orders -Convictions	0	0	0		Target met.

## Potential significant negative effects

Potential negative effect	How we are addressing this
Discharges to land and waterways not complying with resource consents	Improve processes (may be capital related) and continue to monitor discharges.
Discharge of contaminants to waterways and streams impacting on public health and the environment (includes but not limited to wastewater overflows and stormwater runoff containing sediments, oils, greases and heavy metals)	Implement improvements (capital related) and ensure compliance with Council's Development Manual Guidelines for new developments.
Erosion of streams and river beds	Implement Development Manual Guidelines.
Chemical spills affecting waterways	Establish procedures and emergency response plans with Waikato Regional Council.
Health and safety risks associated with the operation, maintenance, or construction of stormwater infrastructure	Ensure compliance with legislation and health and safety management plans. Maintain an incidents register.
Potential impacts on customer satisfaction due to service failure/delays/responsiveness	Monitor customer requests for service and report on Levels of Service. Ensure customer complaints are resolved.
Disruption during the implementation of works	Works will be implemented under resource consent or contract conditions dictating how the service will be maintained (case by case basis).
Individuals can affect the stormwater network and neighbouring properties by altering natural flow paths	Monitor new developments to ensure natural flow paths are maintained.
Flooding can affect public health and safety	Continue to advise land owners of potential flood-prone areas.
Stormwater can cause public health issues through bacterial contamination of beaches	Establish procedures and emergency response plans with Waikato Regional Council.
Contamination of the receiving environment is unacceptable to tangata whenua	Continuing to better identify sites of cultural significance.

## How we paid for it

### Operational funding

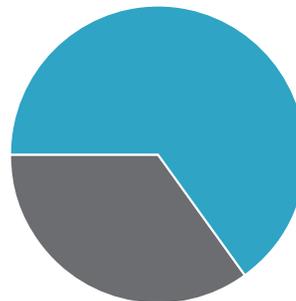


**7%** General rates, uniform annual general charge, rates penalties

**78%** Targeted rates

**15%** Internal charges and overheads recovered

### Capital funding



**65%** Development and financial contributions

**35%** Increase (decrease) in debt

# Funding impact statement – Stormwater

	2017/18 Long term plan \$'000	2018/19 Long term plan \$'000	2018/19 Actual \$'000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge, rates penalties	65	96	148
Targeted rates	1,695	1,692	1,733
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	1
Internal charges and overheads recovered	290	266	324
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
<b>Total operating funding</b>	<b>2,050</b>	<b>2,054</b>	<b>2,206</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	803	2,376	751
Finance costs	-	-	-
Internal charges and overheads applied	607	496	427
Other operating funding applications	4	6	16
<b>Total applications of operating funding</b>	<b>1,414</b>	<b>2,878</b>	<b>1,194</b>
<b>Surplus (deficit) of operating funding</b>	<b>636</b>	<b>(824)</b>	<b>1,012</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	984	343	952
Increase (decrease) in debt	706	528	512
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>1,690</b>	<b>871</b>	<b>1,464</b>
<b>Applications of capital funding</b>			
<b>Capital expenditure</b>			
- to meet additional demand	1,325	3,572	1,921
- to improve the level of service	706	528	661
- to replace existing assets	74	160	-
Increase (decrease) in reserves	221	(4,213)	(106)
Increase (decrease) in investments	-	-	-
<b>Total applications of capital funding</b>	<b>2,326</b>	<b>47</b>	<b>2,476</b>
<b>Surplus (deficit) of capital funding</b>	<b>(636)</b>	<b>824</b>	<b>(1,012)</b>
<b>Funding balance for Stormwater</b>	<b>-</b>	<b>-</b>	<b>-</b>

# WASTEWATER

## What we did

In line with our Long Term Plan 2018/28, we completed a major programme of work which invested and upgraded our wastewater systems around the district.

Consultation, and the decisions arising from it, was prompted by an independent report we commissioned in August 2016 after spills closed Raglan Harbour three times that year, resulting in a formal warning from the Waikato Regional Council. The report outlined network weaknesses that contributed to wastewater overflows district-wide and recommended a series of steps to fast-track improvements. These improvements have continued this year with five pumped mains being replaced in 2018/19. A further two pumped mains will be investigated for replacement in the coming year. Nearly all Raglan gravity sewers have now been CCTV surveyed and defective sewers will be included in Council's wastewater renewal programme.

To deliver on the LTP 2018-28 we have invested major time commitments to progressing discussions with Watercare, which are now completed. We expect to save at least \$28.3 million in the next decade by negotiating a contract with Watercare Services Ltd to manage our three waters services under the guidance of a professional Council-appointed Waters Governance Board that includes Waikato-Tainui representation.

## District-wide renewal programme

In 2018/2019 we continued to mitigate the risk of wastewater overflows with a particular focus on protecting waterways and environmentally sensitive areas. We:

- Cleaned 13.27 kilometres of wastewater pipes in Raglan and Huntly and inspected them via Closed Circuit Television (CCTV) cameras, including smoke testing in some areas as part of the third phase of our ongoing wastewater pipeline inspection and cleaning project;
- Started an inflow and infiltration reduction programme in Meremere to lower the high wet weather flows in the township;
- Replaced 1.1 kilometre of failing asbestos cement gravity sewer located in Waikato Esplanade, Ngaruawahia;
- Identified and replaced a number of pump units in wastewater pump stations;
- Established a programme of priority renewals and replacements for the district's 2018-28 Long Term Plan;

## Development-led works

We completed studies on servicing growth and wet industries in the Pokeno / Tuakau area and Horotiu Industrial zone. These studies have resulted in a programme of works to upgrade the wastewater network to cater for this growth.

In 2017/2018 we completed a business case for infrastructure work in Te Kauwhata, including wastewater, to secure \$38 million from the Government's Housing Infrastructure Fund. A further study to look at potential sites for the new wastewater treatment plant (WWTP) has been done. Watercare Service Ltd have also provided assistance in advising on short term upgrades at the existing WWTP to improve plant compliance and provide capacity for residential growth in Te Kauwhata until the new plant is constructed and commissioned.

## Treatment plant upgrades

We continued the maintenance and improvement programme for all our treatment plants in order to improve compliance.

We completed wetland rehabilitation at our Meremere and Te Kauwhata treatment plants and have also upgraded and replaced our primary screens at our Raglan and Te Kauwhata treatment plants.

We continue to improve the operation and performance of the Actiflow unit at our Ngaruawahia Wastewater Treatment Plant by automating the chemical dosing. This unit removes algae and suspended solids and improves the clarity of the treated effluent.

We have completed electrical works for the new septage processing unit at our Huntly treatment plant. The septage processing unit will be commissioned in 2019/2020.

We also completed designs for upgrading the tertiary filtration system at the Raglan treatment plant to improve compliance with consented discharge standards. We are currently in the process of applying for a renewal of the plant's discharge consent. We will not progress this until we understand what the changes to the consent conditions could be.

## How we did

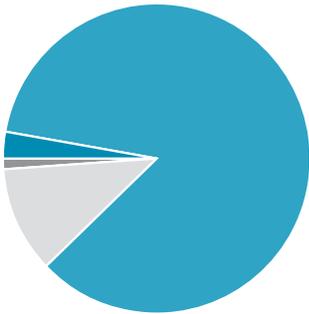
Performance measures		2017/18 result	2018/19 target	2018/19 result	Rating	Explanation
The number of dry weather sewage overflows from Council's system expressed per 1000 sewage connections to that sewage system.		1.9 per 1000 connections	Less than or equal to 3	1.41		Target met.
Where Council attends to sewage overflows resulting from a blockage or other fault in its sewage system, the following median response times measured:	Attendance time: from the time that Council receives notification to the time that service personnel reach the site	42 minutes	Less than or equal to 1 hour (60 minutes)	45 minutes		We have met our target of 60 minutes, but have seen a small decrease on last years' result.
	Resolution time: from the time that Council receives notification to the time that service personnel confirm resolution of the blockage or other fault	139 minutes	Less than or equal to 4 hours (240 minutes)	151 minutes		Target met.
The total number of complaints received by Council about any of the following (expressed per 1,000 connections to the sewage system):	Sewage odour	7.0 per 1,000 connections	Less than or equal to 10 per 1,000 connections	10.31 per 1,000 connections		Target not met.
	Sewage system faults					
	Sewage system blockages					
	Council's response to issues with its sewage system					
Council's level of compliance with resource consents for discharge from its wastewater system, measured by the number of:	Abatement notices	0	Equal or less than 2	2		Target met.
	Infringement notices					
	Enforcement orders					
	Convictions	0	0	0		Target met

## Potential significant negative effects

Potential negative effect	How we are addressing this
Discharges to land and waterways not complying with resource consents	Improve processes (may be capital related) and continue to monitor discharge.
Odour from manholes, pump stations and at treatment plants	Improve process and implement improvements (capital related).
Discharges from manholes	Investigate and take remedial measures.
Health and safety risks associated with the operation, maintenance, or construction of wastewater infrastructure	Ensure compliance with legislation and health and safety management plans. Maintain an incidents register.
Pump station overflows	Investigate causes and provide additional storage if required.
Chemical spills at treatment plants	Ensure procedures are in place for correct identification, storage and handling of chemicals. Ensure appropriate funded areas and storage facilities are in place.
The cost of providing, operating and maintaining the schemes is high due to energy requirements	When looking for solutions for small communities, consider alternatives to traditional public wastewater systems.
Unless properly maintained there can be problems with foul odour	We will continue to investigate alternatives for the sustainable disposal of sewage sludge.
Creates an ongoing need for the disposal of sewage sludge	We will continue to encourage households to reduce the amount of wastewater they produce, for example through re-use of grey water for garden irrigation.

## How we paid for it

### Operational funding



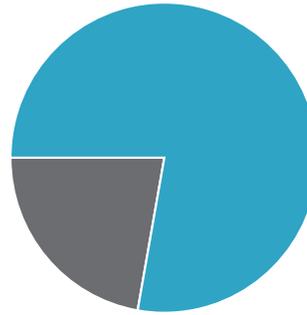
**3%** General rates, uniform annual general charge, rates penalties

**85%** Targeted rates

**11%** Fees and charges

**1%** Internal charges and overheads recovered

### Capital funding



**78%** Development and financial contributions

**22%** Increase (decrease) in debt

# Funding impact statement – Wastewater

	2017/18 Long term plan \$'000	2018/19 Long term plan \$'000	2018/19 Actual \$'000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge, rates penalties	208	230	358
Targeted rates	7,208	10,601	11,000
Subsidies and grants for operating purposes	-	-	-
Fees and charges	1,618	1,241	1,420
Internal charges and overheads recovered	67	55	91
Local authorities fuel tax, fines, infringement fees, and other receipts	297	-	-
<b>Total operating funding</b>	<b>9,398</b>	<b>12,127</b>	<b>12,869</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	2,745	6,206	3,606
Finance costs	-	-	-
Internal charges and overheads applied	3,864	4,463	3,823
Other operating funding applications	112	333	455
<b>Total applications of operating funding</b>	<b>6,721</b>	<b>11,002</b>	<b>7,884</b>
<b>Surplus (deficit) of operating funding</b>	<b>2,677</b>	<b>1,125</b>	<b>4,985</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	1,900	875	1,675
Increase (decrease) in debt	4,355	2,303	482
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>6,255</b>	<b>3,178</b>	<b>2,157</b>
<b>Applications of capital funding</b>			
<b>Capital expenditure</b>			
- to meet additional demand	369	4,852	991
- to improve the level of service	4,355	2,304	494
- to replace existing assets	2,345	2,880	2,955
Increase (decrease) in reserves	1,863	(5,733)	2,702
Increase (decrease) in investments	-	-	-
<b>Total applications of capital funding</b>	<b>8,932</b>	<b>4,303</b>	<b>7,142</b>
<b>Surplus (deficit) of capital funding</b>	<b>(2,677)</b>	<b>(1,125)</b>	<b>(4,985)</b>
<b>Funding balance for Wastewater</b>	<b>-</b>	<b>-</b>	<b>-</b>

# WATER SUPPLY

## What we did

We continued to address the need for a safe and adequate water supply for our district, with a particular focus on our fast-growing communities.

We identified a new means of managing all our waters services and began progressing this following consultation with our community on our Long Term Plan 2018-28.

We charted one year of water usage in the district after completing our district-wide water metering programme.

## Waters services management

We worked with other councils and agencies to investigate joint options for future management of all our waters services – water, wastewater and stormwater. The goal was to find the best means of providing fit-for-purpose infrastructure and services at an affordable price, while meeting challenges that were identified as including: significant capital investment requirements; anticipated tougher environmental, regulatory and public health standards following from the Havelock North drinking water inquiry; and market shortages of skilled staff.

The option chosen, through consultation on our Long Term Plan 2018-28, was to contract Watercare Services Ltd to provide the district's three waters services under the control of a professional Council-appointed Waters Governance Board. We have invested a significant amount of time over the last year in progressing contract discussions with Watercare that will allow us to meet our LTP 2018-28 commitments.

## Security of supply

We completed a \$6.6 million project to improve the security of the Waikato District's drinking water supply by installing four new reservoirs at Ngaruawahia, Hopuhopu, Huntly and Pokeno. The additional reservoirs have increased Council's drinking water storage capacity to 9.75 million litres, or, a minimum of 24 hours of water storage across the central area of the district and Pokeno.

The reservoirs have a manufacturer's certified material warranty of 20 years and a design life of 50 years.

## Safe water

We continued a staged programme to invest in separate teams and equipment for handling our drinking water supply and wastewater services in line with Ministry of Health best practice guidelines.

## Water quality

We continued to work hard to deal with episodic incidents of discoloured water in Huntly. We are managing this through a regular flushing programme until further research determines a better solution.

## Sustainability

To facilitate the sustainable supply and consumption of drinking water in our district, we completed a programme to meter all properties connected to our water infrastructure and switched all newly metered properties to water meter charging from the start of the financial year. This metering programme is designed to help residents understand their usage and to encourage conservation, as well as to assist us to track, locate and fix water loss from the system.

We have now charted a one-year of drinking water usage in our district at 240 litres per resident per year. These results tell us our network is in average condition compared with other councils in New Zealand.

## How we did

Performance measures		2017/18 result	2018/19 target	2018/19 result	Rating	Explanation
The extent to which Council's drinking water supply complies with:	Part 4 of the drinking water standards for zones (bacteria compliance criteria)	17	18 (no. of zones that comply out of 18)	18		This year we are reporting on the 4 plants that relate to part 5.
	Part 4 of the drinking water standards (bacteria compliance criteria)	New	4 (no. of plants that comply out of 4)	4 (no. of plants that comply out of 4)		
	Part 5 of the drinking water standards (protozoal compliance criteria)*	15	4 (no. of plants that comply out of 4)	4		
Where Council attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured:	Attendance for urgent call-outs: from the time that Council receives notification to the time that service personnel reach the site	38 minutes	less than or equal to 1 hour	36 minutes		Target met.
	Resolution of urgent call-outs: from the time that Council receives notification to the time that service personnel confirm resolution of the fault or interruption	88 minutes	Less than or equal to 4 hours	117 minutes		Target met.
Where Council attends a call out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured:	Attendance for non-urgent call-outs: from the time that Council receives notification to the time that service personnel reach the site	1	Less than or equal to 5 days	1 Day		Of 444 complaints made this year, 438 met the 5 day response timeframe.
	Resolution of non-urgent call-outs: from the time that Council receives notification to the time that service personnel confirm resolution of the fault or interruption	1	5 days	1 Day		Target met.
The total number of complaints received by Council about any of the following (expressed per 1000 connections to the networked reticulation system):	Drinking water clarity	26 per 1,000 connections	less than or equal to 25 per 1,000 connections	18.25 per 1,000 connections		Our flushing programme in Huntly appears to be helping in the number of complaints we are receiving from the Huntly area.
	Drinking water taste					
	Drinking water odour					
	Drinking water pressure or flow					
	Continuity of supply					
The local authority's response to any of these issues						
The average consumption of drinking water per day per resident within the Waikato District.		240L per annum	270L or less per day	240L		Our service level remains consistent.
The percentage of real water loss from Council's networked reticulation system.	Combined System	Varied between plants from 10% and 44%	<30%	25.6%		Target met

\*Our district-wide water metering programme should help us to track, locate and fix water loss from household and Council infrastructure and we expect to see improvements in our results each year going forward.

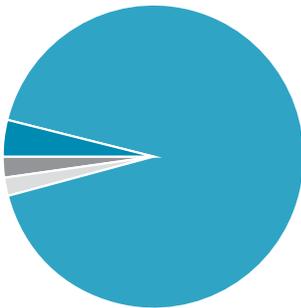
## Potential significant negative effects

Potential negative effect	How we are addressing this
Potential contamination of the raw water supply	Emergency response plans, operational procedures and monitoring of the raw water supply as per the Water Safety Plan (WSP) are all in place. *
Discharges of backwash water from treatment plants and chlorinated water from maintenance activities or pipe failures	Compliance with resource consents, Council's engineering standards and guidelines and maintenance programme.
Effects on river ecology caused by river water extraction during low flows	Compliance with resource consents.
Depletion of aquifer resources	Compliance with resource consents.
Health and safety risks associated with the operation, maintenance, or construction of water supply infrastructure	Ensure compliance with legislation and health and safety management plans. Maintain an incidents register.
Insufficient water supplies during times of drought or emergency	Ensure water sources security and identify potential new sources and back up supplies as per WSP. *
Drinking water not meeting Drinking Water Standard 2005	Continue to monitor water quality and improve process if necessary as per WSP. (May be capital related). *
Inadequate pressure and flow to fight fires	Carry out modelling/pressure testing and implement remedial works.
Water abstraction from streams and rivers can have an adverse effect on the mauri of the water body	Continuing to better identify the cultural significance of water catchments through resource consent conditions
Insufficient water available during times of drought and emergencies	Implement conservation measures and prioritise use for public health requirements.

\* The WSP was called the Public health Risk Management Plan (PHRMP) in the LTP 2018/28

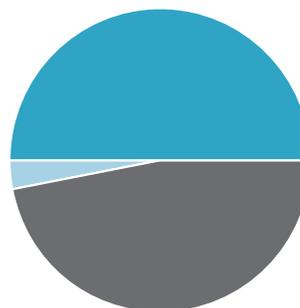
## How we paid for it

### Operational funding



<b>4%</b>	General rates, uniform annual general charge, rates penalties
<b>92%</b>	Targeted rates
<b>2%</b>	Fees and charges
<b>2%</b>	Internal charges and overheads recovered

### Capital funding



<b>50%</b>	Development and financial contributions
<b>47%</b>	Increase (decrease) in debt
<b>3%</b>	Other dedicated capital funding

# Funding impact statement – Water supply

	2017/18 Long term plan \$'000	2018/19 Long term plan \$'000	2018/19 Actual \$'000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge, rates penalties	198	170	355
Targeted rates	10,957	9,191	8,314
Subsidies and grants for operating purposes	-	-	-
Fees and charges	42	94	142
Internal charges and overheads recovered	361	273	212
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	14
<b>Total operating funding</b>	<b>11,558</b>	<b>9,728</b>	<b>9,037</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	3,934	7,059	4,327
Finance costs	-	-	-
Internal charges and overheads applied	3,768	3,975	3,413
Other operating funding applications	41	36	94
<b>Total applications of operating funding</b>	<b>7,743</b>	<b>11,070</b>	<b>7,834</b>
<b>Surplus (deficit) of operating funding</b>	<b>3,815</b>	<b>(1,342)</b>	<b>1,203</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	1,875	1,313	2,003
Increase (decrease) in debt	3,201	1,018	1,900
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding*	97	120	105
<b>Total sources of capital funding</b>	<b>5,173</b>	<b>2,451</b>	<b>4,008</b>
<b>Applications of capital funding</b>			
<b>Capital expenditure</b>			
- to meet additional demand	3,232	7,750	1,756
- to improve the level of service	3,236	1,018	1,816
- to replace existing assets	2,022	3,582	1,296
Increase (decrease) in reserves	498	(11,241)	343
Increase (decrease) in investments	-	-	-
<b>Total applications of capital funding</b>	<b>8,988</b>	<b>1,109</b>	<b>5,211</b>
<b>Surplus (deficit) of capital funding</b>	<b>(3,815)</b>	<b>1,342</b>	<b>(1,203)</b>
<b>Funding balance for Water supply</b>	<b>-</b>	<b>-</b>	<b>-</b>

\*Other dedicated capital funding for the Water Supply group of activities represents capital revenue from fees charged to fund capital works for new connections.

# ORGANISATIONAL SUPPORT

## What we did

### Business improvements

We completed a major project to review how our organisation operates internally and what changes we needed to make to ensure that we could continue to meet the ambitions, needs and issues of our communities. In part, this was required as a result of the significant growth that the district is experiencing.

We launched a strategic reset, co-designed the organisations structure, formed new teams, created space and reimagined our working environment, refreshed our values, recruited heavily, demanded a culture of doing things differently and launched a new organisation to our people at an event called Team Up 2019.

We also refreshed our internal strategic plan – ‘Our Plan’ –that gives clear guidance to areas of focus. The plan includes focus on a digital roadmap, various planning activities, culture and the growth of our people.

We launched several learning programmes for our people including project management, change management, risk management and a leadership programme.

We have been focussed on progressing the digital roadmap and working on several foundational Information Management projects;

- Analysis of staff roles and deployment of technology requirements to enable more mobile working. This includes considerable work on the firewall and other network infrastructure;
- A master data project to establish data governance and ownership for key data in preparation for more integrated and enterprise system implementations;
- Upgrades related to enabling single sign on for staff;
- Discovery and design for an intranet refresh. This project is moving into implementation;
- A significant pilot for the digitisation of property files;
- An internal programme to increase staff awareness of their record keeping responsibilities;

We have also been a major contributor to the implementation of the Local Authority Shared Services (LASS) data portal that brings together open data from the 12 Waikato LASS councils and makes it available for the public.

### Procurement and contract management

We saved more than \$732,302 through a variety of initiatives, including procurement through MBIE-led ‘all of government’ contracts.

### Zero Harm (health, safety and wellbeing) programme

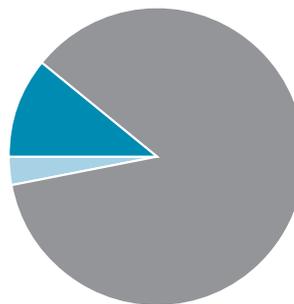
Our Zero Harm Programme continues to focus on the following three key areas;

- Best practice health and safety management systems
- Believable and capable safety leadership
- Robustly managed health and safety risks

We have continued to focus on managing our health and safety critical risks, through the use of the disciplined “Bowtie” risk management methodology. We have also reviewed, redesigned and relaunched our wellbeing programme. A wellbeing strategy has been developed based on the Te Whare Tapa Wha model of health and a number of wellbeing initiatives have already been completed.

## How we paid for it

### Operational Funding



**11%** General rates, uniform annual general charge, rates penalties

**86%** Internal charges and overheads recovered

**3%** Local authorities fuel taxes, infringement fees and other receipts

### Capital

**107%** Increase (decrease) in debt

**-7%** Gross proceeds from the sale of assets

# Funding impact statement – Organisational support

	2017/18 Long term plan \$'000	2018/19 Long term plan \$'000	2018/19 Actual \$'000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge, rates penalties	691	3,234	3,839
Targeted rates	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees and charges	12	-	1
Internal charges and overheads recovered	33,984	32,956	28,904
Local authorities fuel tax, fines, infringement fees, and other receipts	1,248	436	1,060
<b>Total operating funding</b>	<b>35,935</b>	<b>36,626</b>	<b>33,804</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	19,748	21,558	21,804
Finance costs	4,934	4,267	4,199
Internal charges and overheads applied	7,698	7,480	7,103
Other operating funding applications	1,814	1,382	1,519
<b>Total applications of operating funding</b>	<b>34,194</b>	<b>34,687</b>	<b>34,625</b>
Surplus (deficit) of operating funding	1,741	1,939	(821)
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	7,059	19,429	(5,801)
Gross proceeds from the sale of assets	202	193	364
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>7,261</b>	<b>19,622</b>	<b>(5,437)</b>
<b>Applications of capital funding</b>			
<b>Capital expenditure</b>			
- to meet additional demand	-	-	-
- to improve the level of service	68	1,415	599
- to replace existing assets	3,278	2,192	1,764
Increase (decrease) in reserves	5,136	17,560	(6,142)
Increase (decrease) in investments	520	394	(2,479)
<b>Total applications of capital funding</b>	<b>9,002</b>	<b>21,561</b>	<b>(6,258)</b>
Surplus (deficit) of capital funding	(1,741)	(1,939)	821
Funding balance for Organisational support	-	-	-

# PROGRESS TOWARDS COMMUNITY OUTCOMES

The following tables outline the progress we've made towards the community outcomes we seek as a result of the Council's work programmes.

## Governance

Community Outcomes		Progress
Supporting our Communities	To ensure that our diverse community is represented in a democratically accountable and respectful manner.	We reviewed our representation arrangements for the 2019 local body elections. The contact details of our elected members are available on our website and via the call centre.
Working together with you	To ensure that decisions are underpinned by sound financial governance.	All minutes of open meetings were made available to the public via our website.
Providing value for money	To ensure that decisions and processes take into account both short and long term impacts on our customers and partners.	Where decisions significantly impact our customers, we have sought the opinions of our communities. Consultation on Raglan foodwaste, the District Plan and Blueprints are good examples of this.

## Sustainable Communities

Community Outcomes		Progress
Supporting our communities	To provide our customers and partners with opportunities for engagement thereby providing input into the decision making process.	We have engaged with our communities on plans, bylaws, projects and initiatives in a range of ways from formal submission procedures to open days, public meetings, and market days, and through social media.
Sustaining our environment	To ensure Council and our communities are resilient and have the capability to respond, manage and recover from emergencies.	We have a total of 154 staff trained in civil defence emergency management, 69 at a foundation level, and 85 at an intermediate level (in total).
Building our economy	To build community capacity by encouraging voluntary and community-based organisations to provide activities and services.	We committed grants totalling more than \$594,000 from Council-owned or administered funds for distribution to 118 organisations to enable communities to meet some of their own needs.
Sustaining our environment	To ensure that our open spaces are safe and well maintained and offer opportunities for a wide range of recreational, cultural and community activities.	Results from our annual customer survey showed that 83% of our customers are satisfied or very satisfied with the parks and reserves that we provide.
Providing value for money	To ensure Council provides safe, accessible and well-maintained community and leisure facilities and general properties which contribute to the community's recreational, economic and cultural needs.	Of those surveyed through our customer satisfaction survey, 91% of respondents are satisfied or very satisfied with their local libraries.
Supporting our communities	To ensure that a seamless consistent quality service is provided to our customers via a range of channels.	Nearly two-thirds of our customer satisfaction survey respondents said they were satisfied with the overall service received (65%) and that it took little or no effort to conduct business with the Council (56%). These are both slightly down on last year's figures.  We use a range of engagement methods including social media, our website, letter drops, open days and the Link newsletter.
Building our economy	Tourism in the district is enhanced and Council's processes and infrastructure support and facilitate new and existing business.	Tourism spending in the district was \$127 million. We continue to support Hamilton & Waikato Tourism, and the establishment of a Regional Economic Development Agency – Te Waka.
Working together with you	To ensure that we are accountable to our customers for our outcomes.	All minutes from open meetings were made publicly available via our website. We also made publicly available the quarterly reports outlining progress against our organisational goals.
Sustaining our environment	Restoration, protection and enhancement of natural areas in the district to increase natural habitat and biodiversity.	We continued our Lake Rotokauri restoration programme which includes fencing boundaries and planting native species. Pest control and native habitat improvements continue on a number of other reserves.

## Sustainable Environment

Community Outcomes		Progress
Sustaining our environment	To ensure that animals are kept in a way that protects their well-being and minimises danger and public nuisance, and provide animal owners with education regarding their responsibilities.	Review of the 2018 dog registration process, incorporating the new Enterprise Cash Receipting (ECR) system was completed and improvements were made for the 2019 dog registration process.  We ran 78 education sessions in 29 schools around the district as part of our Dogsmart Education Programme, as well as 5 education sessions at 5 kindergartens.
Supporting our community	To ensure that building regulations and standards are met so that people living and working in buildings are safe.	We have met our targets for swimming pool inspections and for auditing buildings with WOFs. We have also carried out 81 assessments on earthquake-prone buildings in the north Waikato area in line with new 2017 legislation.
Working together with you	To ensure that development enhances the wellbeing and safety of the community, and that people have the opportunity to participate in the strategic and district planning process.	The community had the opportunity to be engaged with us on a number of projects, key projects included consultation on the development of our District Plan and our Blueprint.
Sustaining our environment	To ensure communities are well informed about the effects of waste and opportunities they have to reduce waste.	We have 18 Enviroschools in the district. Enviroschools aim to foster a generation of people who instinctively act and think sustainably.
Sustaining our environment	To ensure that activities are managed so that our communities are healthy and safe, legislative requirements are met and nuisance is managed.	We successfully moved all existing food operators on to the new food regime and are now registered under the Food Act 2014. We met our statutory deadlines in processing alcohol applications under the Sale and Supply of Alcohol Act 2012. We have recruited two new fully trained Environmental Health Officers, and are in the process of training an internally recruited officer.
Providing value for money	To ensure that timely and accurate information and efficient processes are provided to people planning to build on or purchase a property.	We introduced new digital 'back-of-house' systems to improve efficiencies in handling consent applications. Around 80 per cent of our building consents customers now use the new paperless system, saving our customers time and money.
Supporting our communities	To ensure sustainable growth is encouraged in appropriate locations supported by well-planned essential services.	We received over 900 submissions on our Proposed Waikato District Plan, resulting in over 9,000 individual submission points. We then called for further submissions in April 2019.
Supporting our communities	To ensure that planning controls assist in protecting cultural heritage and the natural and physical environment.	Our Proposed Waikato District Plan includes rules for protecting the district's environment and heritage. We are now working on Stage 2 of the review which covers natural hazards and climate change.
Sustaining our environment	To ensure that our waste and recycling services are efficient and effective and protect our natural environment.	We continue to work with councils across the region to find synergy to deliver waste minimisation across the area. An inorganic collection was not rated or provided for this financial year.

## Roading

Community Outcomes		Progress
Supporting our communities	To ensure that the district is easy and safe to get around and alternative transport options are available.	We re-surfaced 125.5 kilometres of sealed roads, and completed 9.8 kilometres of pavement rehabilitation and constructed 4.62 kilometres of new footpath, maintained a road safety education programme and investigated alternative transport options.
Providing value for money	To ensure that transport infrastructure is planned at a rate to consider growth and demand in a cost effective manner.	We continue to create new infrastructure in Pokeno, Te Kauwhata and Tuakau, and we are working with developers to support initiatives in roading and bridge work for the Rangitahi Peninsula development in Raglan.
Sustaining our environment	To ensure that the network is well maintained and negative environmental effects are mitigated.	During the past year we undertook 1,400 kilometres of grading on unsealed roads.

## Stormwater

Community Outcomes		Progress
Sustaining our environment	To ensure that Council's water infrastructure supports safe and healthy conditions and conforms to established public health standards.	There are no instances where flooding from our stormwater network occurred in the district. All performance targets relating to stormwater activity were met.
Providing value for money	To ensure that the waters infrastructure networks are managed and maintained to ensure it is both cost effective and reliable, and meets water industry best practice.	We completed a schedule of minor upgrades across the district, installing new pipes to increase capacity where required.
Supporting our communities	To ensure that the water infrastructure network is managed effectively to minimise wastage and ensures that water is sustainably and appropriately collected, treated and disposed of to protect the environment.	We oversaw development-led extensions of the stormwater network, stormwater treatment ponds and riparian planting beside streams in Pokeno to ensure that stormwater management keeps up with growth in the area. The Pokeno stormwater model has been updated to give more confidence in flood prone locations, and so we can understand the impacts of urban development and climate change.

## Wastewater

Community Outcomes		Progress
Sustaining our environment	To ensure that Council's water infrastructure supports safe and healthy conditions and conforms to established public health standards.	We continued a staged programme to invest in separate teams and equipment for drinking water supply and wastewater services in line with Ministry of Health best practice guidelines.
Providing value for money	To ensure that the waters infrastructure networks are managed and maintained to ensure it is both cost effective and reliable, and meets water industry best practice.	We replaced 5 pumped mains, cleaned 13.27 kilometres of wastewater pipes in Raglan and Huntly, completed wetland rehabilitation at our Meremere and Te Kauwhata treatment plants, and replaced 1.1 kilometres of failing asbestos cement gravity sewer in Ngaruawahia.
Providing value for money	To ensure that the water infrastructure network is managed effectively to minimise wastage and ensures that water is sustainably and appropriately collected, treated and disposed of to protect the environment.	We expect to save at least \$28.3 million in the next decade by negotiating a contract with Watercare Services Ltd to manage our three waters services under the guidance of a professional Council-appointed Waters Governance Board that includes Waikato-Tainui representation.

## Water Supply

Community Outcomes		Progress
Providing value for money	To ensure that Council's water infrastructure supports safe and healthy conditions and conforms to established public health standards.	We continued a staged programme to invest in separate teams and equipment for handling our drinking water supply and wastewater services in line with Ministry of Health best practice guidelines.
Sustaining our Environment	To ensure that the waters infrastructure networks are managed and maintained to ensure it is both cost effective and reliable, and meets water industry best practice.	The first of two new water reservoirs for Pokeno was installed, and extensions to the water supply network in Pokeno were constructed as required to meet the needs of new subdivision in the area.  Planning work was completed for the installation of a new water reservoir in Matangi.
Working together with you	To ensure that the water infrastructure network is managed effectively to minimise wastage and ensures that water is sustainably and appropriately collected, treated and disposed of to protect the environment.	We completed a programme to meter all properties connected to our water infrastructure and switched all newly metered properties to water meter charging from the start of the financial year. This will help residents understand their usage, encourage conservation, as well as to assist us to track, locate and fix water loss from the system.

# WHAT YOU GOT FOR \$1

We deliver a broad range of services to our diverse district of residents, business owners and visitors. Here's how we spent every \$1 we received from general rates.\*



**ANIMAL CONTROL**  
**2.2 CENTS**

**AREA OFFICES AND OTHER PROPERTIES**  
**12.0 CENTS**

**COMMUNITY AND SAFETY**



**0.3 CENTS**

**CORPORATE AND COUNCIL LEADERSHIP**  
**17.7 CENTS**



**ENVIRONMENTAL HEALTH**  
**2.1 CENTS**



**GRANTS AND DONATIONS**  
**2.3 CENTS**



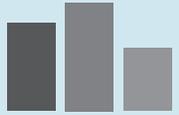
**LIBRARIES**  
**3.9 CENTS**



**PARKS AND RESERVES**  
**7.0 CENTS**



**RESOURCE MANAGEMENT**  
**13.7 CENTS**



**ROADING**  
**36.8 CENTS**



**SOLID WASTE**  
**0.7 CENTS**

**STORM WATER**  
**0.3 CENTS**



**WASTE WATER**  
**0.7 CENTS**



**WATER SUPPLY**  
**0.3 CENTS**



\*This does not include targeted rates. A targeted rate funds a specific Council activity or group of activities rather than general Council services. For example, those who receive a refuse collection pay for it through a targeted rate. Those who don't receive it, don't pay for it.



## FINANCIAL PATHWAY *TE ARA PUUTEA*

- 63 From the Chair of the Strategy and Finance Committee
- 64 Council controlled organisations
- 64 Strada Corporation Limited

- 64 Waikato Regional Airport Limited
- 65 Waikato Local Authority Shared Services Limited
- 67 Waikato District Community Wellbeing Trust

# FROM THE CHAIR OF THE STRATEGY & FINANCE COMMITTEE

Council has been firmly focused on setting up for success this year, with significant work going towards developing the model for the delivery of our three waters services, and ensuring we are geared for growth.

The Council's budgeted income for this financial year was \$137 million, against which actual income earned was \$146 million, a positive variance of \$9 million. Found and vested assets, which are largely unbudgeted, account for the majority of the variance, along with additional contributions received from development.

The Council's operational expenditure budget was \$125 million of which actual operational expenditure was \$156 million. This includes two unbudgeted items; asset write-offs and interest rate swap valuation movements. Following a site specific valuation exercise during the year, \$31 million of assets were written off. This is part of Council's prudent valuation practices to ensure fair asset values are reflected in our accounts. As a result of re-valuing the future dated interest rate swaps (which Council has in place to manage interest rate risk) an accounting loss of \$8 million has been recognised. This is not a cash loss and Council is comfortable with the future interest rates committed to by the Treasury Risk Management strategy. Taking this into account Council incurred \$6 million less than what was budgeted for 2018/19. This variance against budget relates mainly to lower personnel costs, delayed depreciation and amortisation costs along with lower contractor spend tied to relative progress of work programmes. As expected, the high level of asset write-off has directly contributed to the operating deficit position of \$9 million.

The capital programme relates to the 2018/19 projects as well as prior year projects still to be completed. It should be noted that the Annual Report depicts this actual progression against the 2018/19 budget only. In real terms, the \$55 million spend delivered 35 per cent of the entire work programme.

Variance in capital work programmes can arise for various reasons; differences in construction prices, related timing of subdivision activity within the district, adverse weather

resulting in delays, public consultation timeframes, reliance on multi-party funding for some large projects and negotiations over land purchase. In the 2018/19 year it was further impacted as we delayed physical works in the three waters space, notably the Housing Infrastructure Fund projects in Te Kauwhata, as we worked through contract negotiations with WaterCare Services Limited.

\$92 million of capital works budget has been carried forward to the 2019/20 financial year. While this is significantly higher than the carry forward amount in the prior year, a quarter of these projects relate to development projects outside the direct control of Council in terms of timing (\$23 million) with a further \$16 million of work in progress but not completed before the end of the financial year.

Debt at the end of June 2019 was \$80 million; \$37 million lower than the forecast of \$117 million.

In addition to specifying debt limits, the Council's financial strategy stipulated benchmarks for rates increases going forward. These measures are in place to ensure accountability to the public with respect to rates increases and management of debt. The Council were successful in achieving both the rates affordability and debt affordability measures set for 2018/19.

Cr. Janet Gibb  
Chair Strategy & Finance



# COUNCIL CONTROLLED ORGANISATIONS

The Council operates four Council Controlled Organisations (CCO's). These organisations independently manage facilities and deliver services, with the exception of Strada Corporation Limited which wound up activities during the 2016/17 financial year. The following information explains what the organisations do and how their performance is measured.

## Strada Corporation Limited

Strada Corporation Limited (formerly Tanlaw Corporation prior to 1 July 2009) was established in 1992 as a wholly owned Council Controlled Organisation (CCO). The Council wished to separate the planning and development of its work programme from the physical works. Strada was established to achieve this and to operate as a profitable business for the Council's benefit, and ultimately Waikato District ratepayers'.

The company generally traded profitably and provided significant dividends that supplemented the council's income. However, in recent years in a more competitive market Strada had difficulty securing maintenance contract work and when the opportunity arose during 2015/16 to sell Strada's joint venture the decision was made to wind up operations.

The operational assets were sold during 2016/17 and liabilities extinguished. The company remains active while we complete some administrative matters.

## Waikato Regional Airport Limited

In December 1995, the Council along with four other local authorities purchased the Crown's 50 per cent shareholding in the Waikato Regional Airport Limited. The purchase increased the Council's shareholding to 15.625 per cent. At the time the Council considered the airport to be a significant infrastructural asset for the region and important to economic growth and development. The Council's shareholding is considered a strategic asset. The airport also operates a tourism subsidiary which aims to promote the region to tourists. The Council contributes separately to this entity.

to operate the airport in an efficient and complaint manner whilst maintaining a viable aeronautical business

The group achieved the majority of the financial targets and all of the non-financial targets included in their Statement of Intent.

The performance against the Statement of Intent is summarised in the table below:

The core purpose and key objective for the year has been

Agreed Measures	Statement of Intent	Actual 2018/19	Target met
Earnings before interest, taxation and depreciation (EBITDA)	\$3.400M	\$3.964M	
Net surplus/(deficit) after tax	\$127K	\$615K	
Shareholders' funds to total assets	65.00%	78.00%	
Percentage of non-landing charges revenue to total revenue	74.00%	68.00%	
Total liabilities/shareholders' funds: (debt/equity ratio)	35:65	22:78	
Net operating cashflow	\$1.900M	\$2.310M	

Net investing cashflow	(\$4.300M)	(\$2.610M)	
<b>Agreed Measures</b>	<b>Statement of Intent</b>	<b>Actual 2018/19</b>	<b>Target met</b>
Funding Titanium Park Limited	\$900K	\$1.041M	
Net cashflow (operating & investing)	(\$1.400M)	(\$300K)	
Net debt maximum	\$18.000M	\$13.695M	
Interest rate cover	4.0	7.5	

## Waikato Local Authority Shared Services Limited

Local authorities of the Waikato region established the Waikato Local Authority Shared Services (WLAASS) Limited during 2005/2006, the 12 local authorities of the region, being Waikato Regional Council ; Hamilton City Council; Hauraki District Council; Matamata-Piako District Council; Otorohanga District Council; Rotorua District Council; South Waikato District Council; Taupo District Council; Thames-Coromandel District Council; Waikato District Council; Waipa District Council and Waitomo District Council, jointly own the company.

These local authorities have worked closely together over the years on mutually beneficial joint projects. The Councils believe the company will generate saving through economies of scale and through additional purchasing power and the ability to recover costs.

WLAASS is in operation to:

- Enable Waikato councils to collectively be more effective as a region on the national stage
- To encourage central government investment
- Achieve effectiveness and efficiency gains
- Reduce duplication of effort and eliminate waste
- Make it easier for customers to engage with councils in the region
- Promote and contribute to the development of best practice, and
- Promote business transformation to improve customer experience

The performance against the Statement of Intent is provided in the table below:

Agreed Measures	Statement of Intent	Target met
Joint procurement initiatives will be investigated and implemented	Implement the recommendations of the Procurement review New suppliers are awarded contracts through a competitive tender process	
Priorities for collaboration are developed and high priority projects implemented	Minimum of three collaborative projects identified Business cases of value are developed for approval and implemented	
Existing contracts are managed and renegotiated as required	Contracts register is maintained Contracts for renewal are tested for competitiveness and renegotiated or tendered through a competitive process	
The company shall maintain a positive cash flow position	The WLAASS board will review the financial statements quarterly	
Administration expenditure shall be managed and monitored	Administration expenditure shall not exceed budget by more than 5% without board approval	
Six monthly reports are provided to shareholders	A written report on the business operations and financial position to be provided every six months Every second report is the annual report with statutory requirements adhered to	

The company shall provide administrative support to the Mayoral forum	Approved invoices for mayoral forum projects are paid by the 20th of the month following receipt	
Agreed Measures	Statement of Intent	Target met
The shared valuation data services is reliable, well maintained and available	SVDS is available to users at least 99% of normal working hours SVDS advisory group meets at least six monthly The Annual Business Plan is accepted by the advisory group by 31 March 2019	
The long-term provision of SVDS services is achieved	Milestones for implementing long term provision of SVDS services are being achieved	
Key performance indicators of the insurance brokerage contract are achieved	Strategic advice received is assessed as satisfactory in the annual shareholder survey Day-to-day service is assessed as satisfactory in the annual shareholder survey	
Deliver better data for decision making across the region, enabling consistent best practice	Reports are provided quarterly Procurement complies with WLASS and NZTA requirements	
Data supplied by contractors is of good quality and meet requirements	Present to a national conference annually At least two RATA good practice guidance documents produced	
Waikato regional transport model is reliable, well maintained and available	Modelling reports requested are actioned by the supplier within the agreed scope, time and budget A status report from RATA on the model status is provided six monthly The quality complies with NZTA guidelines and is independently reviewed when updated	
Waikato Building consent group actively pursue improvements	People capability is achieved through recruitment and training programmes Industry compliance results in lower requests for further information and percentages of rejection Full participation in building cluster projects and programmes Quality assurance measured by accreditation, annual audits and customer services is achieved Funding requirements met by each council Report six monthly on the group's activities	
Planning for growth in the sub-region is co-ordinated and collaborative	Consistency in service delivery measured by customer surveys Risk management is visible through regular risk register reviews	
Shareholders are satisfied with the performance of WLASS	Phase 2 of the Future Proof Strategy is adopted by December 2018 The overall Future Proof work programme is delivered within approved budget	
Shareholders are satisfied with the performance of WLASS	A shareholder survey is conducted and reported on annually	
Aligned Resource Planning project is implemented	Common forms are in place for all Councils by December 2018	
Shareholders are informed of the benefits being provided	Information on non-financial and financial benefits are reported on six monthly The WLASS website is regularly maintained and updated	

## Waikato District Community Wellbeing Trust

In 2010, the Waikato Foundation Trust proposed to distribute its capital fund to projects or trusts to fund projects of a community nature which will result in long term benefits to as many people as possible within the geographical area of the three constituent territorial authorities namely the Hamilton City Council, the Waikato District Council and the Waipa District Council. The Waikato District Community Wellbeing Trust was established to receive funds from the Waikato Foundation Trust which wound up in 2010. \$2.56 million was transferred to the Waikato District Community Wellbeing Trust during 2011/12.

The trust distributes fund that:

- Promote the social, environmental and cultural wellbeing of the Waikato district and its communities; and
- Deliver on the aspirations and community outcomes of the Waikato district identified and promoted by the community and endorsed by the Waikato District Council

The performance against the Statement of Intent is provided in the table below:

Agreed Measures	Statement of Intent	Target met
<b>Governance:</b> To comply with the terms of the Trust Deed and in particular with the duties of the Trust as set out in clause 11 of the Deed.	Undertake an annual legal review of compliance with the Trust Deed no later than two months after the end of each financial year	
<b>Investment:</b> To adhere to the Trust's Management of Investment Portfolio and Distribution Policy.  To review on an annual basis the investment mandate and the performance of the portfolio manager.	At each quarterly meeting review compliance with the Trust's Management of Investment Portfolio and Distribution Policy during that quarter.	
<b>Fund disbursement:</b> As per the Management of Investment Portfolio and Distribution Policy, to distribute a total grant disbursement that does not exceed 50% of the accumulated retained net income after allowing for accumulated expenses, inflation movements and prior year distributions.	A distribution process is undertaken that distributes the annual fund to eligible recipients in accordance with funding targets set by the Trustees in accordance with the Management of Investment Portfolio and Distribution Policy for the current year.	
	Six-monthly reports are received from all successful applicants within the required timeframe.	

## Council's Financial returns

Returns on Investment	Expected return	2018/19 Results	Our performance
Financial	5.55%	7%	
Property	11.00%	8%	
<b>Equity as follows:</b>			
Waikato Regional Airport Ltd	0%	0%	
Civic Financial Services Ltd	0%	0%	
Local Authority Shared Services Ltd	0%	0%	
Waikato District Community Wellbeing Trust	0%	0%	



# FINANCIAL STATEMENTS

## NGA RAARANGI PUUTEA

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# STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

for the year ended 30 June 2019

	Note	Council			Group	
		2018/19 Actual \$'000	2018/19 Budget \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
<b>Revenue</b>						
Rates	2	84,036	84,300	77,405	84,036	77,405
Development and financial contributions		10,521	6,174	12,633	10,521	12,633
Subsidies and grants		18,742	19,754	18,507	18,742	18,507
Finance revenue	3	555	130	466	561	474
Other revenue	4	32,639	26,925	46,928	33,151	47,321
<b>Total revenue</b>		<b>146,493</b>	<b>137,283</b>	<b>155,939</b>	<b>147,011</b>	<b>156,340</b>
<b>Expenses</b>						
Employee costs	6	29,487	31,068	27,452	29,487	27,452
Depreciation and amortisation expense	7	27,375	28,165	26,093	27,375	26,093
Finance costs	3	4,316	4,267	4,113	4,316	4,113
Other expenses and losses	8	94,678	61,991	59,772	94,968	60,070
<b>Total operating expenses</b>		<b>155,856</b>	<b>125,491</b>	<b>117,430</b>	<b>156,146</b>	<b>117,728</b>
Surplus(deficit) before tax		(9,363)	11,792	38,509	(9,135)	38,612
Income tax expense	9	-	-	-	-	-
Surplus(deficit) after tax wholly attributable to Waikato District Council		(9,363)	11,792	38,509	(9,135)	38,612
<b>Other comprehensive revenue and expense</b>						
Gain(loss) on property revaluations	14	27,218	30,680	42,940	27,218	42,940
Revaluation reserve – landfill	20	616	-	(51)	616	(51)
Financial assets at fair value through other comprehensive revenue		1,913	-	469	1,913	469
<b>Other comprehensive revenue and expense (net of tax)</b>		<b>29,747</b>	<b>30,680</b>	<b>43,358</b>	<b>29,747</b>	<b>43,358</b>
<b>Total comprehensive revenue and expense for the year</b>		<b>20,384</b>	<b>42,472</b>	<b>81,867</b>	<b>20,612</b>	<b>81,970</b>

The accompanying notes form part of these financial statements  
 Explanations of major variances against budget are provided in note 33

# STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

	Note	Council			Group	
		2018/19 Actual \$'000	2018/19 Budget \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	10	10,405	492	14,932	11,503	15,716
Receivables from exchange transactions	11	6,998	4,624	5,338	6,784	5,412
Recoverables from non-exchange transactions	11	6,755	4,338	5,662	6,755	5,662
Prepayments		890	822	821	890	821
Other financial assets	13	940	61	1,009	5,241	5,047
Cattle	12	94	110	101	94	101
<b>Total current assets</b>		<b>26,082</b>	<b>10,447</b>	<b>27,863</b>	<b>31,267</b>	<b>32,759</b>
<b>Non-current assets</b>						
Investment in CCO's and other similar entities	13	16,095	13,016	14,186	15,395	13,486
Investments in other entities	13	1,513	3,442	1,301	1,513	1,301
Property, plant and equipment	14	1,830,482	1,864,200	1,799,366	1,830,482	1,799,366
Intangible assets	15	5,148	7,423	5,542	5,148	5,542
Investment property	16	560	490	545	560	545
<b>Total non-current assets</b>		<b>1,853,798</b>	<b>1,888,571</b>	<b>1,820,940</b>	<b>1,853,098</b>	<b>1,820,240</b>
<b>Total assets</b>		<b>1,879,880</b>	<b>1,899,018</b>	<b>1,848,803</b>	<b>1,884,365</b>	<b>1,852,999</b>
<b>Liabilities</b>						
<b>Current liabilities</b>						
Payables under exchange transactions	17	16,526	20,165	13,825	16,630	13,868
Taxes and transfers payable	17	1,340	950	1,397	1,341	1,398
Derivative financial instruments	21	156	-	65	156	65
Borrowing	19	5,000	29,233	10,000	5,000	10,000
Employee entitlements	18	3,173	2,724	2,890	3,173	2,890
Provisions	20	69	310	111	69	111
<b>Total current liabilities</b>		<b>26,264</b>	<b>53,382</b>	<b>28,288</b>	<b>26,369</b>	<b>28,332</b>
<b>Non-current liabilities</b>						
Derivative financial instruments	21	15,510	4,963	7,192	15,510	7,192
Borrowing	19	75,000	87,698	70,000	75,000	70,000
Employee entitlements	18	143	181	114	143	114
Provisions	20	1,378	1,801	2,008	1,378	2,008
<b>Total non-current liabilities</b>		<b>92,031</b>	<b>94,643</b>	<b>79,314</b>	<b>92,031</b>	<b>79,314</b>
<b>Total liabilities</b>		<b>118,295</b>	<b>148,025</b>	<b>107,602</b>	<b>118,400</b>	<b>107,646</b>
<b>Net assets</b>		<b>1,761,585</b>	<b>1,750,993</b>	<b>1,741,201</b>	<b>1,765,965</b>	<b>1,745,353</b>
<b>Net assets/ equity</b>						
Accumulated comprehensive revenue and expense		1,062,038	1,114,968	1,062,601	1,063,353	1,063,766
Other reserves		699,547	636,025	678,600	702,612	681,587
<b>Total net assets/equity</b>		<b>1,761,585</b>	<b>1,750,993</b>	<b>1,741,201</b>	<b>1,765,965</b>	<b>1,745,353</b>

The accompanying notes form part of these financial statements  
 Explanations of major variances against budget are provided in note 33

# STATEMENT OF CHANGES IN NET ASSETS / EQUITY

for the year ended 30 June 2019

	Council			Group	
	2018/19 Actual \$'000	2018/19 Budget \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
<b>Balance at the beginning of the year</b>					
Accumulated comprehensive revenue and expense	1,062,601	1,071,311	1,029,070	1,063,766	1,030,204
Other reserves					
Revaluation	667,253	650,957	625,482	667,253	625,482
Restricted	187	182	181	3,174	3,096
Council-created	27,542	17,218	26,526	27,542	26,526
Special rates and user pays	(6,403)	(8,155)	(6,185)	(6,403)	(6,185)
Capital replacement fund	16,086	9,033	13,648	16,086	13,648
Development contributions	(36,739)	(42,231)	(39,593)	(36,739)	(39,593)
Fair value through other comprehensive revenue and expense	10,674	10,206	10,205	10,674	10,205
<b>Balance at 1 July as previously reported</b>	<b>1,741,201</b>	<b>1,708,521</b>	<b>1,659,334</b>	<b>1,745,353</b>	<b>1,663,383</b>
<b>Comprehensive revenue and expense for the year</b>					
Accumulated comprehensive revenue and expense					
Surplus(deficit) after tax	(9,363)	11,792	38,509	(9,135)	38,612
Other reserves					
Revaluation	27,218	30,680	42,940	27,218	42,940
Revaluation – landfill	616	-	(51)	616	(51)
Fair value through other comprehensive revenue and expense	1,913	-	469	1,913	469
<b>Total comprehensive revenue for the year wholly attributable to Waikato District Council</b>	<b>20,384</b>	<b>42,472</b>	<b>81,867</b>	<b>20,612</b>	<b>81,970</b>
<b>Transfers to(from) accumulated comprehensive revenue and expense</b>					
Accumulated comprehensive revenue and expense	8,800	31,865	(4,978)	8,722	(5,050)
Other reserves					
Revaluation	(6,523)	-	(1,118)	(6,523)	(1,118)
Restricted	7	-	6	85	78
Council-created	2,979	108	1,016	2,979	1,016
Special rates and user pays	(430)	(7,810)	(218)	(430)	(218)
Capital replacement fund	3,032	(1,823)	2,438	3,032	2,438
Development contributions	(7,865)	(22,340)	2,854	(7,865)	2,854
<b>Total transfers to(from) accumulated comprehensive revenue and expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 30 June wholly attributable to Waikato District Council</b>	<b>1,761,585</b>	<b>1,750,993</b>	<b>1,741,201</b>	<b>1,765,965</b>	<b>1,745,353</b>
	<b>Council</b>			<b>Group</b>	

The accompanying notes form part of these financial statements  
 Explanations of major variances against budget are provided in note 33

# STATEMENT OF CHANGES IN NET ASSETS / EQUITY (continued)

for the year ended 30 June 2019

	2018/19 Actual \$'000	2018/19 Budget \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
Represented by net assets/equity at the end of the year					
Accumulated comprehensive revenue and expense	1,062,038	1,114,968	1,062,601	1,063,353	1,063,766
Other reserves					
Revaluation	688,564	681,637	667,253	688,564	667,253
Restricted	194	182	187	3,259	3,174
Council-created	30,521	17,326	27,542	30,521	27,542
Special rates and user pays	(6,833)	(15,965)	(6,403)	(6,833)	(6,403)
Capital replacement fund	19,118	7,210	16,086	19,118	16,086
Development contributions	(44,604)	(64,571)	(36,739)	(44,604)	(36,739)
Fair value through other comprehensive revenue and expense	12,587	10,206	10,674	12,587	10,674
Balance at 30 June wholly attributable to Waikato District Council	1,761,585	1,750,993	1,741,201	1,765,965	1,745,353

The accompanying notes form part of these financial statements  
Explanations of major variances against budget are provided in note 33

# STATEMENT OF CASH FLOWS

for the year ended 30 June 2019

	Note	Council			Group	
		2018/19 Actual \$'000	2018/19 Budget \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Receipts from rates revenue		83,025	77,706	76,667	83,025	76,667
Subsidies received		18,446	20,145	18,909	18,446	18,909
Contributions received		10,094	6,982	13,134	10,094	13,134
Receipts from other revenue		17,175	25,321	17,721	17,187	17,721
Interest received		555	130	522	560	530
Dividends received		39	-	31	39	47
Goods and service tax (net)		55	-	169	55	186
<b>Payments</b>						
Payments to employees		(29,174)	(30,909)	(27,337)	(29,174)	(27,337)
Payments to suppliers		(55,146)	(61,641)	(53,594)	(55,364)	(53,750)
Interest paid		(4,145)	(4,267)	(3,841)	(4,145)	(3,841)
<b>Net cash flows from (used in) operating activities</b>	<b>23</b>	<b>40,921</b>	<b>33,467</b>	<b>42,381</b>	<b>40,723</b>	<b>42,266</b>
<b>Cash flows from investing activities</b>						
Proceeds from the sale of property, plant and equipment		926	693	2,590	926	2,590
Proceeds from the sale of investments		-	160	-	236	4,546
Community loan repayments received		44	-	75	44	75
Receipts from repayment of advance		-	-	-	500	125
Purchase of intangible assets		(329)	(2,931)	(312)	(329)	(312)
Purchase of property, plant and equipment		(45,901)	(70,163)	(43,209)	(45,901)	(43,209)
Acquisition of investments		(188)	(554)	9,703	(412)	5,164
<b>Net cash flow from (used in) investing activities</b>		<b>(45,448)</b>	<b>(72,795)</b>	<b>(31,153)</b>	<b>(44,936)</b>	<b>(31,021)</b>
<b>Cash flows from financing activities</b>						
Proceeds from borrowing		10,000	42,031	10,000	10,000	10,000
Repayment of borrowing		(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
<b>Net cash flow from financing activities</b>		<b>-</b>	<b>32,031</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase(decrease) in cash, cash equivalents and bank overdrafts</b>		<b>(4,527)</b>	<b>(7,297)</b>	<b>11,228</b>	<b>(4,213)</b>	<b>11,245</b>
Cash, cash equivalents and bank overdrafts at the beginning of the year		14,932	7,789	3,704	15,716	4,471
Cash, cash equivalents and bank overdrafts at the end of the year		10,405	492	14,932	11,503	15,716

The accompanying notes form part of these financial statements  
 Explanations of major variances against budget are provided in note 33

# STATEMENT OF RESERVE FUNDS

for the year ended 30 June 2019

Reserves showing as negative have a debit balance and are mainly for development contributions and structure plan reserves. These reserves are in place to monitor the revenue and costs associated with development and growth. Often Council must incur the cost of works for base infrastructure before development contributions are received.

Essentially the negative balance for a reserve is the amount borrowed internally to fund the work ahead of revenue being received. A negative reserve is used instead of an internal loan because the amount is repaid by revenue received rather than a loan repayment regime. Like a loan, interest is charged and is added to the reserve balance for repayment from contributions received over time.

Reserve	Purpose	Related activities	Opening balance 1 July 2018 \$'000	Transfers into fund \$'000	Transfers out of fund \$'000	Closing Balance 30 June 2019 \$'000
Conservation fund	To fund expenditure items for conservation purposes.	Sustainable environment	673	354	(377)	650
Raglan Harbour reserve	Council took over assets from the Raglan Harbour Board. Any revenue or expenditure on these properties is kept separate from general funds.	Sustainable communities	(25)	457	(395)	37
Housing for the elderly	Revenue from housing for the elderly is put aside for use on the properties involved.	Sustainable communities	(122)	248	(329)	(203)
Plant reserve	Reserve used for control of expenditure and sale proceeds for vehicle and other plant running and maintenance costs.	Organisational support	455	1,444	(1,427)	472
Lake Hakanoa Caravan Park reserve	Revenue and expenditure for the Lake Hakanoa Caravan Park at Huntly is kept separate. The camp operation is self-funding.	Sustainable communities	167	209	(178)	198
Raglan Kopua Holiday Park reserve	Revenue and expenditure for Kopua Camp at Raglan is kept separate. The camp operation is self-funding.	Sustainable communities	1,099	1,841	(1,699)	1,241
Wainui Reserve farm	Revenue and expenditure for Wainui Reserve farm operations is kept separate. The farm operation is self-funding and surpluses are used towards projects at Wainui Reserve.	Sustainable communities	259	171	(148)	282
Hillary Commission grants	These funds are committed to a club development programme for the future	Sustainable communities	22	-	-	22
Creative NZ grant	The balance from Creative Communities New Zealand to be re-distributed as grants to suitable candidates.	Sustainable communities	29	116	(128)	17
Disaster recovery fund	Fund set aside for use in the event of a disaster.	Organisational support	405	130	-	535
Hillary Commission loans	Remaining funds and interest credits built up from Council's contribution to match Hillary Commission loans used in the past to assist sporting organisations. All loans have been repaid.	Sustainable communities	58	2	-	60

The accompanying notes form part of these financial statements  
Explanations of major variances against budget are provided in note 33

# STATEMENT OF RESERVE FUNDS

(continued)

for the year ended 30 June 2019

Reserve	Purpose	Related activities	Opening balance 1 July 2018 \$'000	Transfers into fund \$'000	Transfers out of fund \$'000	Closing Balance 30 June 2019 \$'000
North Waikato development reserve	Remaining funds with interest credits from the Department of Corrections for use to assist the local community.	Sustainable communities	350	14	-	364
Hamilton East property proceeds	Proceeds from the sale of the Hamilton East property held separate for property related purposes.	Organisational support	2,308	2,520	(2,520)	2,308
Hakarimata Restoration Trust	A restricted reserve for Hakarimata Hills Reserve Trust to record all trust operations.	Sustainable environment	16	1	-	17
Landfill aftercare contribution	Reserve created on amalgamation of part of the Franklin District Council with Waikato District Council to assist with aftercare costs for closed landfills transferred.	Sustainable environment	258	9	(49)	218
Structure plan non-growth reserve	Reserve to provide funding for the non-growth element of Structure Plan development.	Organisational support	887	34	-	921
Waste minimisation reserve	To manage waste minimisation grants and qualifying expenditure.	Sustainable environment	306	810	(659)	457
Huntly College Jubilee Award	A restricted reserve for the interest revenue to be used as educational sponsorship.	Sustainable communities	13	-	-	13
Frances Paki Trust	A restricted reserve in memory of Francis Paki of Huntly. Interest revenue to be used as sponsorship for educational purposes.	Sustainable communities	1	-	-	1
Mungall Scholarship Trust	A restricted reserve in memory of Agnes Simpson Mungall. Interest revenue to be used for educational sponsorship.	Sustainable communities	1	-	-	1
Huntly social services	A restricted reserve created by the transfer of funds from the former Huntly Social Services Co-Ordinating Committee Inc when it was wound up in 2015.	Sustainable communities	156	6	-	162
Sundry reserves	Sundry reserves for township development and other operational purposes.	Sustainable communities	24,224	4,828	(1,898)	27,154

The accompanying notes form part of these financial statements  
 Explanations of major variances against budget are provided in note 33

# STATEMENT OF RESERVE FUNDS

(continued)

for the year ended 30 June 2019 – Continued

Reserve	Purpose	Related activities	Opening balance 1 July 2018 \$'000	Transfers into fund \$'000	Transfers out of fund \$'000	Closing Balance 30 June 2019 \$'000
Targeted rate reserves – operational	Reserves to monitor operational costs in relation to special rates and user pays.	Stormwater, Sustainable communities, Sustainable environment, Wastewater, Water supply	(6,403)	6,016	(6,446)	(6,833)
Replacement funds	Reserves where amounts equivalent to funded depreciation are held for use on capital renewals work.	Roading, Stormwater, Sustainable communities, Sustainable environment, Wastewater, Water supply, Organisational support	16,086	22,911	(19,879)	19,118
Revaluation reserves	These non-cash reserves relate to the revaluation of property, plant and equipment to fair value.	Roading, Stormwater, Sustainable communities, Sustainable environment, Wastewater, Water supply, Organisational support	667,253	27,834	(6,523)	688,564
Capital rates and contributions	Reserves for structure plans, development contributions, financial contributions and capital targeted rates.	Roading, Stormwater, Sustainable communities, Sustainable environment, Wastewater, Water supply	(29,876)	12,789	(19,142)	(36,229)
<b>Total reserves</b>			<b>678,600</b>	<b>82,744</b>	<b>(61,797)</b>	<b>699,954</b>

The accompanying notes form part of these financial statements  
 Explanations of major variances against budget are provided in note 33

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1 Statement of accounting policies

### Reporting Entity

Waikato District Council (the Council) is a territorial local authority governed by the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing Council's operations includes the LGA and the Local Government (Rating) Act 2002 (LG(R)A).

The Group consists of the ultimate parent Waikato District Council; its 100% owned subsidiary Strada Corporation Limited (Strada) and the Waikato District Community Wellbeing Trust (WBT). Strada was a 50% party to a Joint Venture Agreement, Waikato Quarries Limited. The Joint Venture Agreement ceased during the 2016/17 financial year. All the entities in which Council has an interest, either directly or through Strada, are incorporated and domiciled in New Zealand.

The principal activity of Council is the provision of local infrastructure, local public services and the performance of regulatory functions to the community. Council does not operate to make financial return.

Council has designated itself and the Group as public benefit entities (PBE's) for financial reporting purposes.

These financial statements of Council and the Group are for the year ended 30 June 2019. The financial statements were authorised for issue by Council on 7 October 2019.

### Basis of preparation

The financial statements of Council have been prepared on the going concern basis and the accounting policies have been applied consistently throughout the period.

The financial statements of Strada have again been prepared on a realisation basis. During the year ended 30 June 2017 almost all of Strada's operational assets were sold and liabilities extinguished.

The Company has remained open in order to receive the final settlement payments in relation to the disposal of the joint venture; the final settlement was received during 2018/19. While Strada is no longer trading it remains dormant until Council has determined what the company will be used for in the future.

### Statement of compliance

The financial statements of Council and the Group have been prepared in accordance with the requirements of the LGA and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R) which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with and comply with Tier 1 PBE accounting standards.

### Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000's) except for those within sections of narrative which are rounded to the nearest dollar.

### Standards issued and not yet effective which have been early adopted

No standards or amendments issued but not yet effective have been early adopted.

### Standards issued and not yet effective and not early adopted

Standards and amendments issued but not yet effective which have not been early adopted and which are relevant to Council and the Group are:

#### Interest in other entities

PBE-IPSAS 34 – 38 replace the existing standards for interests in other entities (PBE-IPSAS 6 – 8). These new standards are effective for annual periods beginning on or after 1 January 2019.

Council plans to apply the new standards in preparing the 30 June 2020 financial statements. Council has not yet assessed the effects of these new standards.

#### Financial instruments

The XRB issued PBE-IFRS 41 Financial instruments in March 2019. This standard supercedes PBE IFRS 9 Financial Instruments which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. Council plans to apply the new standards in preparing the 30 June 2023 financial statements. Council has not yet assessed the effects of the new standard.

#### Statement of cash flows

An amendment to PBE-IPSAS 2 Statement of cash flows requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and from non-cash changes. This amendment is effective for annual period beginning on or after 1 January 2021, with early application permitted. Council does not intend to early adopt the amendment.

#### Service performance reporting

PBE-FRS 48 replaces the service reporting requirements of PBE-IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2021. Council has not yet determined how the application of PBE-FRS 48 will affect its statement of performance.

### Other changes in accounting policies

There have been no other changes in accounting policies.

### Summary of significant accounting policies

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

## Basis of consolidation

The consolidated financial statements are prepared by adding together like items of assets, liabilities, equity, revenue and expenses on a line-by-line basis. All significant intra-group balances, transactions, revenues and expenses are eliminated on consolidation.

### Critical accounting estimates and assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### Infrastructural assets

Note 14 provides information about the estimates and assumptions applied in determining the fair value of infrastructural assets.

#### Employee entitlement provisions

Note 18 provides information about the estimates and assumptions surrounding the retirement gratuities and long service leave provision.

#### Landfill aftercare provision

Note 20 provides information about the estimates and assumptions surrounding the landfill aftercare provision.

## Goods and services tax

All items in the financial statements are stated exclusive of GST except for payables and receivables, which are presented on a GST inclusive basis. When GST is not recoverable as an input tax it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of recoverable GST.

## Budget figures

The budget figures are those approved by Council at the beginning of the year in its 2018-28 Long Term Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

## Foreign currency transactions

Foreign currency transactions are translated into NZ dollars using the spot exchange rate at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

## Equity

Equity is the community's interest in Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- Accumulated funds;
- Other reserves
  - revaluation
  - restricted
  - council-created
  - special rates and user pays
  - capital replacement fund
  - development contributions
  - fair value through other comprehensive revenue and expense.

### Revaluation reserves

These reserves relate to the revaluation of property, plant and equipment to fair value.

### Restricted reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Council.

Restricted reserves represent funds subject to specific conditions accepted as binding by Council and which may not be revised by Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

### Council-created reserves

Council-created reserves are reserves established by Council decisions. Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of Council.

Council and the Group's objectives, policies, and processes for managing capital are explained in note 32.

### Fair value through other comprehensive revenue

This reserve comprises the cumulative net change in the fair value of financial instruments at fair value through other comprehensive revenue.

## Cost allocation policy

Council has derived the cost of service for each significant activity of Council using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs which cannot be identified, in an economically feasible manner, with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers and floor area.

## Note 2 Rates

### Accounting policy

General rates, targeted rates (excluding those for water-by-meter) and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. Council considers the effect of payment by instalment is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.

Rates arising from late payment penalties are recognised as revenue when the rates become overdue.

Revenue from water-by-meter rates is recognised on an accrual basis. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.

Rates remissions are recognised as a reduction of rates revenue when Council has received an application that satisfies its rates remission policy.

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
General rates	48,908	42,149
Uniform annual general charge	9,044	11,332
<b>Total general rates revenue</b>	<b>57,952</b>	<b>53,481</b>
<b>Targeted rates</b>		
Community boards	219	197
Community centres and facilities	716	630
Refuse & waste management	3,453	2,786
Stormwater	1,733	1,615
Wastewater	11,000	9,639
Metered water supply	5,184	5,444
Other water rates	3,130	2,931
<b>Total targeted rates</b>	<b>25,435</b>	<b>23,242</b>
plus: Penalties revenue	1,401	1,435
<b>Total rates revenue</b>	<b>84,788</b>	<b>78,158</b>
less: Rate remissions	(752)	(753)
<b>Total net rates</b>	<b>84,036</b>	<b>77,405</b>

Council is required by the LGFA Guarantee and Indemnity Deed to disclose in its financial statements (or notes) its annual rates revenue. That Deed defines annual rates revenue as an amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received by Council from other local authorities for services provided by Council for which those other local authorities rate. Annual rates revenue by this definition is as disclosed in the table above.

## Rates remissions

Rates revenue is shown net of rates remissions. Council's rates remission policy allows Council to remit rates on condition of a ratepayer's extreme hardship, land used for community and sporting purposes, land protected for historic or cultural purposes, rating units with a capital valuation (CV) of \$1,500 or less and Maaori freehold land.

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Land used for community and sporting purposes	203	196
Land protected for historical or cultural purposes	41	47
CV's under \$1,500	119	92*
Rating exclusions	335	343
Maaori freehold land	54	75
<b>Total rates remissions</b>	<b>752</b>	<b>753</b>

\*In 2018, this exclusion was for CV's under \$1,000.

Rates remissions are recognised as a reduction of rates revenue when Council has received an application that satisfies its rates remission policy.

### Non-rateable land

Under the Local Government (Rating) Act 2002 certain properties cannot be rated for general rates. These properties include schools, places of religious worship, public gardens and reserves. Non-rateable properties may be subject to targeted rates in respect of sewerage, water, refuse and sanitation. Non-rateable land does not constitute a remission under Council's remission policy.

## Rating base information

Council's rating base is as follows:

	Council	
	2018/19 Actual	2017/18 Actual
Total number of rating units	33,073	31,283
Total land value	\$17,410m	\$12,120m
Total capital value	\$28,706m	\$20,487m

## Note 3 Finance revenue and costs

### Accounting policy

Interest revenue is recognised using the effective interest method.

All borrowing costs are recognised as an expense in the period in which they are incurred.

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
Finance revenue				
Interest - bank deposits	348	421	354	426
Interest - financial assets	3	-	3	-
Interest - community loans	10	14	10	14
Interest - other	2	-	2	3
Interest - LGFA borrower notes	192	31	192	31
<b>Total finance revenue</b>	<b>555</b>	<b>466</b>	<b>561</b>	<b>474</b>
less: Finance costs				
Interest - bank borrowing	25	2	25	2
Interest - LGFA borrowing	1,868	2,332	1,868	2,332
Interest - swaps differences	2,305	1,662	2,305	1,662
Provision: discount unwinding	117	116	117	116
Other finance costs	1	1	1	1
<b>Total finance costs</b>	<b>4,316</b>	<b>4,113</b>	<b>4,316</b>	<b>4,113</b>
<b>Net finance costs</b>	<b>(3,761)</b>	<b>(3,647)</b>	<b>(3,755)</b>	<b>(3,639)</b>

## Note 4 Other revenue

### Accounting policy

Found and vested physical assets are recognised at fair value at the time Council obtains control of the asset. The fair value is recognised as revenue and the amount is determined by reference to the costs of purchase and/or construction.

Revenue from the sale or provision of goods is recognised when a product is sold to the customer.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Dividends are recognised as revenue when the right to receive payment has been established.

Revenue from traffic and parking infringements is recognised when the infringement notice is issued.

Rental revenue from investment properties is recognised as revenue on a straight-line basis over the term of the lease.

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
Found assets	3,978	1,111	3,978	1,111
Vested assets	9,210	24,602	9,210	24,602
Dividends	39	31	39	47
Other revenue	9,549	10,188	9,564	10,182
Regulatory revenue	8,020	7,706	8,020	7,706
Fees and charges – Council	1,647	2,146	1,647	2,146
Fair value through surplus (deficit) realised gain	-	-	23	344
Impairment recovered	-	-	106	-
Property, plant and equipment gains on disposal	161	987	161	987
Investment property revaluation gain	15	55	15	55
Fair value through surplus (deficit) – gains on revaluation of property, plant and equipment	20	102	20	102
Fair value through surplus (deficit) unrealised gains	-	-	253	39
<b>Total other revenue</b>	<b>32,639</b>	<b>46,928</b>	<b>33,151</b>	<b>47,321</b>

## Note 5 Exchange and non-exchange revenue

### Accounting policy

Revenue is measured at fair value. For exchange revenue this equals the fair value of the consideration received or receivable. For non-exchange revenue it is the amount of the increase in net assets recognised by the Group.

Council receives government grants from New Zealand Transport Agency (NZTA) which subsidise part of Council's costs in maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

Development and financial contributions are recognised as revenue when Council is capable of providing the service for which the contribution is charged.

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
<b>Revenue from exchange transactions</b>				
Revenue from metered water supply	5,184	5,444	5,184	5,444
Development and financial contributions	10,521	12,633	10,521	12,633
Other fees and charges – Council	12,024	11,726	12,024	11,726
Finance revenue	555	466	561	474
Dividends received	39	31	39	47
Impairment recovered	-	-	106	-
Gain on cessation of joint venture	-	-	115	-
Other exchange revenue	3,621	4,660	3,912	5,047
<b>Total revenue from exchange transactions</b>	<b>31,944</b>	<b>34,960</b>	<b>32,462</b>	<b>35,371</b>
<b>Revenue from non-exchange transactions</b>				
Revenue from rates	78,852	71,961	78,852	71,961
Vested and found assets	13,188	25,713	13,188	25,713
Regulatory revenue	1,749	1,637	1,749	1,637
Infringements and fines	202	227	202	227
NZTA government subsidies	17,904	18,145	17,904	18,145
Petrol tax	565	496	565	496
Other subsidies and grants	838	362	838	362
Other fees and charges – Council	900	1,420	900	1,420
Other non-exchange revenue	351	1,018	351	1,008
<b>Total revenue from non-exchange transactions</b>	<b>114,549</b>	<b>120,979</b>	<b>114,549</b>	<b>120,969</b>
Revenue from exchange transactions	31,944	34,960	32,462	35,371
Revenue from non-exchange transactions	114,549	120,979	114,549	120,969
<b>Total revenue per statement of comprehensive revenue and expense</b>	<b>146,493</b>	<b>155,939</b>	<b>147,011</b>	<b>156,340</b>

There are no unfulfilled conditions or other contingencies attached to subsidies and grants recognised. (2018: \$nil)

## Note 6 Employee costs

### Accounting policy

Obligations for contributions to defined contribution superannuation schemes such as KiwiSaver are recognised as an expense in the surplus or deficit when incurred.

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Salaries and wages	28,477	26,689
Defined contribution plan employer contributions	697	649
Increase (decrease) in employee liabilities	313	114
<b>Total employee costs</b>	<b>29,487</b>	<b>27,452</b>

Employer contributions to defined contribution plans is made up of contributions to KiwiSaver.

## Note 7 Depreciation and amortisation expense by group of activity

	Council	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Water supply	2,633	2,336
Wastewater	3,264	3,130
Stormwater	796	699
Roading	14,595	13,896
Sustainable environment	82	62
Sustainable communities	4,217	4,167
Governance	-	-
Organisational support	1,788	1,803
<b>Total directly attributable depreciation and amortisation</b>	<b>27,375</b>	<b>26,093</b>

## Note 8 Other expenses and losses

### Accounting policy

#### Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria. They are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of Council's approval.

#### Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straightline basis over the lease term.

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
Audit fees – Annual report	160	155	168	184
Audit fees – Long Term Plan	-	111	-	111
Other payments to Audit New Zealand *	36	4	36	4
<b>Total payments to Audit New Zealand</b>	<b>196</b>	<b>270</b>	<b>204</b>	<b>299</b>
Asset write-off	30,541	2,917	30,541	2,917
Bad debt written off	85	142	85	154
Rates penalty write-offs	463	533	463	533
Other expenditure	44,712	43,247	44,994	43,393
Other personnel expenses	1,256	1,099	1,256	1,099
Minimum lease payments under operating leases	94	117	94	117
Legal expenses	647	476	647	476
Other professional fees	36	301	36	301
Consultant expenses	7,256	7,041	7,256	7,041
Grants and sponsorship	939	1,023	939	1,023
Fair value loss on cattle	8	8	8	8
Impairment of related party receivable	-	-	-	105
Property, plant & equipment – losses on disposal	36	303	36	309
Interest rate swaps revaluation loss	8,409	2,295	8,409	2,295
<b>Total other expenses and losses</b>	<b>94,678</b>	<b>59,772</b>	<b>94,968</b>	<b>60,070</b>

\*Other payments to Audit New Zealand were for assurance work relating to procurement processes, for a probity review; for the audit of the Debenture Trust Deed and for ad hoc support.

In 2018 other payments made to Audit New Zealand were for the audit of the Debenture Trust Deed.

## Note 9 Income tax

### Accounting policy

Income tax expense includes both current and deferred tax.

Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that a taxable profit will be available against the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and which at the time of the transaction affects neither accounting nor taxable profit.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue or directly in equity.

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
Operating surplus before tax expense	(9,363)	38,509	(9,135)	38,612
Prima facie tax at 28%	(2,622)	10,783	(2,558)	10,811
Non-assessable income (net)	2,622	(10,783)	2,558	(10,811)
Non-deductible expenditure	-	-	-	-
<b>Total income tax expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Made up of:				
Deferred tax	-	-	-	-
Prior period adjustment	-	-	-	-
Income tax expense	-	-	-	-

Deferred tax (assets) liabilities	Plant and Equipment \$'000	Employee entitlements \$'000	Other provisions \$'000	Total tax loss \$'000	Total \$'000
Balance at 1 July 2017	-	-	-	-	-
Charged to surplus (deficit)	-	-	-	-	-
Charged to other comprehensive revenue	-	-	-	-	-
<b>Balance at 30 June 2018 *</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Balance at 1 July 2018	-	-	-	-	-
Charged to surplus (deficit)	-	-	-	-	-
Charged to other comprehensive revenue	-	-	-	-	-
<b>Balance at 30 June 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

\*In 2018, this note was based on draft amounts. In April 2019, Strada's accounts and tax return were finalised; last year's amounts here are based on the final financial statements.

## Note 10 Cash and cash equivalents

### Accounting policy

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. The carrying value of cash and cash equivalents approximates their fair value.

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
Cash at bank and on hand	1,505	1,132	1,809	1,615
Short term deposits maturing within three months or less from date of acquisition	8,900	13,800	9,694	14,101
<b>Total cash and cash equivalents per statement of financial position</b>	<b>10,405</b>	<b>14,932</b>	<b>11,503</b>	<b>15,716</b>
Bank overdrafts	-	-	-	-
<b>Cash and cash equivalents per statement of cash flows</b>	<b>10,405</b>	<b>14,932</b>	<b>11,503</b>	<b>15,716</b>

The total value of cash equivalents that can only be used for a specific purpose is \$194,021 (2018: \$187,495).

## Note 11 Recoverables and receivables

### Accounting policy

Short-term receivables are recorded at the amount due, less any provision for uncollectability.

A receivable is considered to be uncollectable when there is evidence that the amount due will not be fully collected. The amount that is uncollectable is the difference between the amount due and the present value of the amount expected to be collected.

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
<b>Receivables from exchange transactions</b>				
Receivables from related parties	232	223	-	280
Water rates receivable	664	880	664	880
Other receivables from exchange transactions	6,151	4,325	6,169	4,342
<b>Gross receivables</b>	<b>7,047</b>	<b>5,428</b>	<b>6,833</b>	<b>5,502</b>
Provision for uncollectability	(49)	(90)	(49)	(90)
<b>Net receivables from exchange transactions</b>	<b>6,998</b>	<b>5,338</b>	<b>6,784</b>	<b>5,412</b>
<b>Recoverables from non-exchange transactions</b>				
Rates receivable	4,125	3,446	4,125	3,446
Recoverables from user charges, taxes and other non-exchange revenue	3,548	3,016	3,548	3,016
GST refund	192	247	192	247
<b>Gross recoverables</b>	<b>7,865</b>	<b>6,709</b>	<b>7,865</b>	<b>6,709</b>
Provision for uncollectability	(1,110)	(1,047)	(1,110)	(1,047)
<b>Net recoverables from non-exchange transactions</b>	<b>6,755</b>	<b>5,662</b>	<b>6,755</b>	<b>5,662</b>
<b>Total gross receivables and recoverables</b>	<b>14,912</b>	<b>12,137</b>	<b>14,698</b>	<b>12,211</b>
<b>Total provision for uncollectability</b>	<b>(1,159)</b>	<b>(1,137)</b>	<b>(1,159)</b>	<b>(1,137)</b>
<b>Total net recoverables and receivables</b>	<b>13,753</b>	<b>11,000</b>	<b>13,539</b>	<b>11,074</b>

### Fair value

Receivables are non-interest bearing and receipt is normally on 30-day terms. Therefore, the carrying value of debtors and other receivables approximates their fair value.

### Assessment of uncollectability

Council provides for uncollectability of rates receivable in certain circumstances; when the property is multiple-owned Maori land or when there is no guarantor available. In all other circumstances, Council does not provide for any uncollectability because it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. These powers allow Council to commence legal proceedings to recover any rates that remain unpaid four months after the due date for payment. If payment has not been made within three months of the Court's judgement, then Council is able to apply to the Registrar of the High Court to have the judgement enforced by the sale or lease of the rating unit.

Ratepayers can apply for payment options in special circumstances. Where such repayment plans are in place, debts are discounted to their present value if the effect of discounting is material.

Strada does not provide for any uncollectability of receivables as it has various powers under the Construction Contracts Act 2002 to recover any outstanding debts and no debtors exhibit a financial status that would lead Strada to believe a debt is impaired.

The ageing profile of recoverables and receivables is:

	Gross \$'000	Uncollectable \$'000	Total \$'000
<b>Council 2019</b>			
Not past due	12,878	-	12,878
Past due 1 – 60 days	321	-	321
Past due 61 – 120 days	93	-	93
Past due > 120 days	1,620	(1,159)	461
<b>Total gross recoverables and receivables</b>	<b>14,912</b>	<b>(1,159)</b>	<b>13,753</b>
<b>Council 2018</b>			
Not past due	10,456	-	10,456
Past due 1 – 60 days	294	-	294
Past due 61 – 120 days	47	-	47
Past due > 120 days	1,340	(1,137)	203
<b>Total gross recoverables and receivables</b>	<b>12,137</b>	<b>(1,137)</b>	<b>11,000</b>
<b>Group 2019</b>			
Not past due	12,664	-	12,664
Past due 1 – 60 days	321	-	321
Past due 61 – 120 days	93	-	93
Past due > 120 days	1,620	(1,159)	461
<b>Total gross recoverables and receivables</b>	<b>14,698</b>	<b>(1,159)</b>	<b>13,539</b>
<b>Group 2018</b>			
Not past due	10,530	-	10,530
Past due 1 – 60 days	294	-	294
Past due 61 – 120 days	47	-	47
Past due > 120 days	1,340	(1,137)	203
<b>Total gross recoverables and receivables</b>	<b>12,211</b>	<b>(1,137)</b>	<b>11,074</b>

### Provision for uncollectability

The uncollectability provision has been calculated based on a review of specific overdue receivables together with a collective assessment. The collective uncollectability provision is based on an analysis of past collection and debt write-off history.

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Individual uncollectability	132	161
Collective uncollectability	1,027	976
<b>Total provision for uncollectability</b>	<b>1,159</b>	<b>1,137</b>

Individually impaired receivables have been determined to be impaired because of the improbability of collection. An analysis of the individually impaired debtors is shown below:

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Past due 1 – 60 days	-	-
Past due 61 – 120 days	-	-
Past due > 120 days	132	161
<b>Total individual uncollectability</b>	<b>132</b>	<b>161</b>

Movements in the provision for uncollectability of recoverables and receivables are as follows:

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Balance at 1 July	1,137	1,410
Additional provision made during the year	111	135
Provisions reversed during the year	(41)	(37)
Debts written off during the period	(48)	(371)
<b>Balance at 30 June</b>	<b>1,159</b>	<b>1,137</b>

## Note 12 Cattle

### Accounting policy

Cattle on Council's reserves are revalued annually at fair value less estimated costs to sell. Fair value is determined based on market price at balance date.

Gains and losses from a change in fair value less estimated costs to sell are recognised in the surplus or deficit. The costs incurred in relation to the cattle are included in the surplus or deficit.

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Balance at 1 July	101	110
Increase through purchases	102	109
Gains (losses) from fair value adjustments	(8)	(8)
Decrease through sales	(101)	(110)
<b>Balance at 30 June</b>	<b>94</b>	<b>101</b>

Council keeps cattle to graze on one of its reserves as part of reserve maintenance. Although a financial gain is achieved in most years it is not Council's primary purpose. The cattle are normally sold within the next twelve months after balance date. The number of cattle at balance date was 88 (2018: 101).

Council has no cattle with restricted title.

## Note 13 Other Financial Assets

### Accounting policy

#### Subsidiaries

Council consolidates in the Group financial statements all entities where Council has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the subsidiary. This power exists where Council controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by Council or where the determination of such policies is unable to materially affect the level of potential ownership benefits that arise from the activities of the subsidiary.

Council will recognise goodwill where there is an excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. This difference reflects the goodwill to be recognised by Council. If the consideration transferred is lower than the net fair value of Council's interest in the identifiable assets acquired and liabilities assumed, the difference will be recognised immediately in the surplus or deficit.

The investment in subsidiaries is carried at cost in Council's parent entity financial statements.

#### Valuation

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of financial assets are recognised on trade-date, the date on which Council and the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council and the Group have transferred substantially all the risks and rewards of ownership.

Council and the Group classify their financial assets into the following categories for the purposes of measurement:

- Loans and receivables
- Held to maturity investments
- Fair value through surplus or deficit
- Fair value through other comprehensive revenue and expense

The classification depends on the purpose for which the investment was acquired.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after balance date, which are included in non-current assets.

After initial recognition they are measured at amortised cost, using the effective interest method less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Loans to community organisations made by Council at nil, or belowmarket interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar financial instrument. The loans are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of the loan is recognised in the surplus or deficit.

#### Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments, with fixed maturities and with a positive intention and ability to hold to maturity. They are included in current assets, except for those with maturities greater than 12 months after balance date which are included in noncurrent assets.

After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. Gains and losses when the asset is impaired or de-recognised are recognised in surplus or deficit.

#### Fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term and such an asset is classified as a current asset. Council's derivatives are categorised as held for trading unless they are designated into a hedge accounting relationship for which hedge accounting is applied. The current/non-current classification of derivatives is explained in the derivatives accounting policy in note 21. After initial recognition, financial assets in this category are measured at their fair values with gains or losses on re-measurement recognised in the surplus or deficit.

#### Fair value through other comprehensive revenue and expense

Financial assets at fair value through other comprehensive revenue are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of or realise the investment within 12 months of balance date.

They comprise of the following:

- Investments that it intends to hold long-term but which may be realised before maturity; and
- Shareholdings that it holds for strategic purposes.

These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue, except for impairment losses, which are recognised in the surplus or deficit.

On de-recognition the cumulative gain or loss previously recognised in other comprehensive revenue is reclassified from equity to the surplus or deficit.

#### Impairment of financial assets

Financial assets are assessed for objective evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

#### Loans and other receivables

Impairment is established when there is objective evidence that Council and the Group will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy and default in payments are considered indicators that the asset is impaired.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate.

For receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollected, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (ie not past due).

For community loans, impairment losses are recognised directly against the instruments' carrying amount.

#### Financial assets at fair value through other comprehensive revenue and expense

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered an indicator of impairment.

If impairment evidence exists for investments at fair value through other comprehensive revenue, the cumulative loss previously recognised in other comprehensive revenue is reclassified from equity to the surplus or deficit. The cumulative loss of a financial asset is measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in the surplus or deficit.

Impairment losses recognised in the surplus or deficit on equity investments are not reversed through the surplus or deficit.

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
<b>Current portion</b>				
Term deposits	809	789	809	789
Equity instruments	-	-	2,367	2,210
Fixed interest instruments	-	-	1,934	1,828
LGFA borrower notes	80	160	80	160
Community loans	51	60	51	60
<b>Total current portion</b>	<b>940</b>	<b>1,009</b>	<b>5,241</b>	<b>5,047</b>
<b>Non-current portion</b>				
<b>Investments in CCO's and other similar entities</b>				
Waikato Local Authority Shared Services Limited (a)	219	219	219	219
Strada - shares	700	700	-	-
Waikato Regional Airport Limited	15,176	13,267	15,176	13,267
<b>Total investment in CCO's and similar entities</b>	<b>16,095</b>	<b>14,186</b>	<b>15,395</b>	<b>13,486</b>
<b>Investment in other entities</b>				
Community loans	87	119	87	119
LGFA borrower notes	1,360	1,120	1,360	1,120
Civic Financial Services Limited	66	62	66	62
<b>Total investment in other entities</b>	<b>1,513</b>	<b>1,301</b>	<b>1,513</b>	<b>1,301</b>
<b>Total non-current portion</b>	<b>17,608</b>	<b>15,487</b>	<b>16,908</b>	<b>14,787</b>
<b>Total other financial assets</b>	<b>18,548</b>	<b>16,496</b>	<b>22,149</b>	<b>19,834</b>

(a) Council's investment in Local Authority Shared Services Limited comprises four distinct classes of share.

The numbers held and values of each share class are as follows:

	No. of shares	Value per Share \$	Total Capital \$	Uncalled Capital \$	Paid up Capital \$
Ordinary shares	1	1,000	1,000	1,000	-
Shared Valuation Database Service	106,674	1	106,674	-	106,674
Waikato Regional Photography Service	9,376	1	9,376	9,376	-
Waikato Regional Transport Model	11,250	10	112,500	-	112,500
			229,550	10,376	219,174

## Fair value

### Community loans

Community loans are measured at amortised cost using the effective interest method.

Their fair value is \$123,145 (2018: \$174,776). Fair value has been determined using cash flows discounted at the interest rate (current at 1 July 2019) charged by Council on community loans. The rate used is 5.28% (2018: 5.49%).

The face value of total community loans is \$140,673 (2018 \$171,454).

### Unlisted investments and advances

The fair value of Council's shares in Local Authority Shared Services Limited has not been disclosed because the fair value cannot be reliably measured as there is no active market for these instruments; therefore the shares are held at cost.

Council's investments in Waikato Regional Airport Limited (WRAL) and Civic Financial Services Limited (formerly NZ Local Government Insurance Corporation Limited) are carried at fair value. Those values are based on Council's share of the assets less liabilities of each of the companies and changes in value are taken to fair value through other comprehensive revenue.

The details are:

	Share of net assets	Fair value	
		2018/19	2017/18
Waikato Regional Airport Limited	15.6%	\$15,176,460	\$13,267,159
Civic Financial Services Limited	0.37%	\$65,515	\$62,239

## Note 14 Property, plant and equipment

### Accounting policy

Property, plant, and equipment consists of:

**Operational assets:** These include land, buildings, improvements, landfill post closure, library books, plant and equipment, furniture, computers and motor vehicles.

**Restricted assets:** These are parks and reserves owned by Council which provide a benefit or service to the community and which can only be disposed of after following a rigorous legal and public consultation process.

**Infrastructural assets:** These are the fixed utility systems owned by Council. Each asset class includes all items that are required for the network to function. For example, wastewater reticulation includes reticulation piping and wastewater pump stations.

Land (operational and restricted) is measured at fair value; buildings (operational and restricted), and infrastructural assets (except land under roads) are measured at fair value less accumulated depreciation. All other asset classes are measured at cost less accumulated depreciation and impairment losses.

### Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to Council and the Group and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant and equipment is initially recognised at cost. Where an asset is acquired through a nonexchange transaction it is recognised at its fair value as at the date of acquisition.

### Disposals

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposal are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in the asset revaluation reserves in respect of those assets are transferred to accumulated funds.

### Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land. The depreciation rates used will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Description	Useful life (years)	Depreciation rate
Audiovisual materials and electronic games Libraries	5	20%
Buildings	15 – 100	1 – 6.7%
Vehicles / moveable plant	4 – 20	5 – 25%
Library books	8	12.5%
Computers	4 – 7	14 – 25%
Office equipment	3 – 15	6.67 – 33.3%
Furniture and fixtures	10	10%
Water supply	4 – 100	1 – 25%
Wastewater	3 – 100	1 – 33.3%
Urban stormwater	5 – 100	1 – 20%
Roading pavement sealed	2 – 100	1 – 50%
Pavement (basecourse)		
- sealed	65 – 105	0.95 – 1.5%
- unsealed metal	20	5%
Surface water channel	20 – 80	1.25 – 5%
Culverts	50 – 80	1.25 – 2%
Guardrails / barriers	40 – 80	1.25 – 2.5%
Drainage	50 – 80	1.25 – 2%
Retaining walls	50 – 100	1 – 2%
Footpaths	15 – 80	1.25 – 6.67%

Description	Useful life (years)	Depreciation rate
Street lighting	20	5%
Bridges	40 – 100	1 – 2.5%
Parks & reserves	1 – 100	1 – 100%
Solid waste		
- refuse transfer stations	10 – 80	1.25 – 10%
- landfills	5 - 90	1.11 - 20%
Signs	20	5%

The residual value, depreciation method and useful life of an asset is reviewed and adjusted if applicable, at each balance date.

## Revaluation

Land and buildings (operational and restricted); parks and reserves and infrastructural assets (except land under roads) are revalued on a regular basis (at least every three years) to ensure that their carrying amounts do not differ materially from fair value.

The carrying values of the revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair value. If there is a material difference, the off-cycle asset classes are revalued.

Revaluations of property, plant and equipment are accounted for on a class of asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve, in equity, for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, with any remainder recognised in other comprehensive revenue and expense.

## Impairment of property, plant and equipment

Items of property, plant and equipment having a finite useful life are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

For assets not carried at a revalued amount the entire loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

### Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return,

For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a series of service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

### Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

## Work in progress

The total amount of Council property, plant and equipment in the course of construction by class of asset is detailed below:

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Buildings - operational	1,262	437
Buildings – restricted	194	29
Parks and reserves	13,987	8,535
Wastewater	4,935	10,416
Stormwater	3,344	2,031
Water	5,199	16,349
Solid waste	80	24
Roading	4,468	12,844
<b>Total work in progress</b>	<b>33,469</b>	<b>50,665</b>

## Infrastructural assets – further disclosures

Council 2019	Closing book value \$'000	Additions		Estimated replacement cost \$'000
		Constructed by Council \$'000	*Assets transferred to Council \$'000	
Water treatment plants and facilities	8,095	1,984	2,938	15,604
Other water assets	109,639	13,684	-	155,431
Wastewater treatment plants and facilities	17,486	1,968	3,556	25,644
Other wastewater assets	97,478	7,144	-	160,707
Stormwater and drainage	65,032	1,455	2,800	79,913
Roads, footpaths, bridges and culverts	1,167,719	28,132	2,344	1,464,157
<b>Total infrastructural assets</b>	<b>1,465,449</b>	<b>54,367</b>	<b>11,638</b>	<b>1,901,456</b>
<b>Council 2018</b>				
Water treatment plants and facilities	6,977	147	-	11,953
Other water assets	99,494	3,767	3,474	144,194
Wastewater treatment plants and facilities	14,155	134	-	21,375
Other wastewater assets	94,941	1,148	5,867	159,475
Stormwater and drainage	61,521	1,170	7,788	75,247
Roads, footpaths, bridges and culverts	1,146,074	19,319	8,366	1,425,991
<b>Total infrastructural assets</b>	<b>1,423,162</b>	<b>25,685</b>	<b>25,495</b>	<b>1,838,235</b>

\*This includes found assets of \$3,977,984 (2018: \$1,109,604).

<b>Council and Group 2018/19</b>	Cost / valuation 1 Jul 2018 \$'000	Accumulated depreciation and impairment charges 1 Jul 2018 \$'000	Carrying amount 1 Jul 2018 \$'000	Current year additions \$'000	
<b>Operational assets</b>					
Land	20,347	-	20,347	697	
Buildings	28,013	(1,014)	26,999	411	
Library books	5,596	(4,303)	1,293	422	
Vehicles / moveable plant	5,737	(3,259)	2,478	1,136	
Office equipment	1,391	(1,132)	259	13	
Computer equipment	5,380	(4,887)	493	190	
Furniture	1,479	(925)	554	78	
<b>Total operational assets</b>	<b>67,943</b>	<b>(15,520)</b>	<b>52,423</b>	<b>2,947</b>	
<b>Infrastructural assets</b>					
Wastewater	109,096	-	109,096	12,669	
Stormwater	59,291	-	59,291	4,174	
Water	106,471	-	106,471	18,786	
Drainage	2,231	-	2,231	81	
Solid waste	1,845	-	1,845	27	
Roading	1,012,317	-	1,012,317	21,142	
Bridges / culverts / pipes	133,756	-	133,756	9,334	
Land under roads	107,656	-	107,656	822	
Work in progress	50,665	-	50,665	49,007	
<b>Total infrastructural assets</b>	<b>1,583,328</b>	<b>-</b>	<b>1,583,328</b>	<b>116,042</b>	
<b>Restricted assets</b>					
Land	95,476	-	95,476	3,831	
Buildings	26,658	(987)	25,671	241	
Parks and reserves	42,468	-	42,468	5,010	
<b>Total restricted assets</b>	<b>164,602</b>	<b>(987)</b>	<b>163,615</b>	<b>9,082</b>	
<b>Total Council and Group</b>	<b>1,815,873</b>	<b>(16,507)</b>	<b>1,799,366</b>	<b>128,071</b>	

	Current year Disposals and transfers from WIP \$'000	Current year depreciation \$'000	Accumulated depreciation disposed \$'000	Revaluation surplus (deficit) \$'000	Cost / valuation 30 Jun 2019 \$'000	Accumulated depreciation and impairment charges 30 Jun 2019 \$'000	Carrying amount 30 Jun 2019 \$'000
	(350)	-	-	-	20,694	-	20,694
	(30)	(1,050)	-	-	28,394	(2,064)	26,330
	-	(324)	-	-	6,018	(4,627)	1,391
	(805)	(633)	569	-	6,068	(3,323)	2,745
	-	(50)	-	-	1,404	(1,182)	222
	-	(209)	-	-	5,570	(5,096)	474
	-	(103)	-	-	1,557	(1,028)	529
	(1,185)	(2,369)	569	-	69,705	(17,320)	52,385
	(5,383)	(3,076)	123	1,534	114,963	-	114,963
	(238)	(767)	2	255	62,717	-	62,717
	(7,659)	(2,619)	206	2,549	117,734	-	117,734
	(8)	(27)	-	39	2,316	-	2,316
	-	(82)	-	(61)	1,729	-	1,729
	(17,092)	(11,844)	374	18,664	1,023,561	-	1,023,561
	(12)	(2,753)	-	3,833	144,158	-	144,158
	(190)	-	-	-	108,288	-	108,288
	(66,203)	-	-	-	33,469	-	33,469
	(96,785)	(21,168)	705	26,813	1,608,935	-	1,608,935
	-	-	-	-	99,307	-	99,307
	-	(977)	-	-	26,899	(1,964)	24,935
	(873)	(2,160)	47	428	44,920	-	44,920
	(873)	(3,137)	47	428	171,126	(1,964)	169,162
	(98,843)	(26,674)	1,321	27,241	1,849,766	(19,284)	1,830,482

<b>Council and Group 2017/18</b>	Cost / valuation 1 Jul 2017 \$'000	Accumulated depreciation and impairment charges 1 Jul 2017 \$'000	Carrying amount 1 Jul 2017 \$'000	Current year additions and transfers from WIP \$'000
<b>Operational assets</b>				
Land	20,740	-	20,740	156
Buildings	26,623	-	26,623	1,710
Library books	5,235	(3,997)	1,238	361
Vehicles / moveable plant	6,036	(3,531)	2,505	919
Office equipment	1,391	(1,080)	311	-
Computer equipment	5,225	(4,657)	568	155
Furniture	1,406	(827)	579	73
<b>Total operational assets</b>	<b>66,656</b>	<b>(14,092)</b>	<b>52,564</b>	<b>3,374</b>
<b>Infrastructural assets</b>				
Wastewater	102,283	-	102,283	7,149
Stormwater	52,477	-	52,477	8,080
Water	98,594	-	98,594	7,388
Drainage	1,264	-	1,264	878
Solid waste	1,578	-	1,578	270
Roading	969,313	-	969,313	27,089
Bridges / culverts / pipes	130,344	-	130,344	596
Land under roads	107,667	-	107,667	744
Work in progress	42,175	-	42,175	8,490
<b>Total infrastructural assets</b>	<b>1,505,695</b>	<b>-</b>	<b>1,505,695</b>	<b>60,684</b>
<b>Restricted assets</b>				
Land	95,304	-	95,304	172
Buildings	26,370	-	26,370	288
Parks and reserves	40,804	-	40,804	1,232
<b>Total restricted assets</b>	<b>162,478</b>	<b>-</b>	<b>162,478</b>	<b>1,692</b>
<b>Total Council and Group</b>	<b>1,734,829</b>	<b>(14,092)</b>	<b>1,720,737</b>	<b>65,750</b>

	Current year disposals \$'000	Current year depreciation \$'000	Accumulated depreciation disposed \$'000	Revaluation surplus (deficit) \$'000	Cost / valuation 30 Jun 2018 \$'000	Accumulated depreciation and impairment charges 30 Jun 2018 \$'000	Carrying amount 30 Jun 2018 \$'000
	(549)	-	-	-	20,347	-	20,347
	(320)	(1,030)	16	-	28,013	(1,014)	26,999
	-	(306)	-	-	5,596	(4,303)	1,293
	(1,218)	(629)	901	-	5,737	(3,259)	2,478
	-	(52)	-	-	1,391	(1,132)	259
	-	(230)	-	-	5,380	(4,887)	493
	-	(98)	-	-	1,479	(925)	554
	(2,087)	(2,345)	917	-	67,943	(15,520)	52,423
	(1,218)	(2,941)	41	3,782	109,096	-	109,096
	(436)	(683)	5	(152)	59,291	-	59,291
	(866)	(2,322)	31	3,646	106,471	-	106,471
	-	(13)	-	102	2,231	-	2,231
	-	(61)	-	58	1,845	-	1,845
	(297)	(11,256)	35	27,433	1,012,317	-	1,012,317
	(31)	(2,640)	1	5,486	133,756	-	133,756
	(755)	-	-	-	107,656	-	107,656
	-	-	-	-	50,665	-	50,665
	(3,603)	(19,916)	113	40,355	1,583,328	-	1,583,328
	-	-	-	-	95,476	-	95,476
	-	(987)	-	-	26,658	(987)	25,671
	(174)	(2,094)	13	2,687	42,468	-	42,468
	(174)	(3,081)	13	2,687	164,602	(987)	163,615
	(5,864)	(25,342)	1,043	43,042	1,815,873	(16,507)	1,799,366

## Valuation

### Operational and restricted land and buildings

Land, buildings and properties valued by their components have been valued at fair value either as determined by an independent valuer using market-based evidence or by using a replacement cost approach. The most recent valuation was performed by Richard Allen, Andrew Jaques and Chelsea Mugeridge of QV Valuations (QV) a division of Quotable Value Limited and dated 30 June 2017.

The fair value of Council's land and buildings has been determined based on the highest and best use in accordance with PBE IPSAS 17 Property, Plant and Equipment.

### Land

A number of estimates and assumptions must be made when valuing land and buildings. In this instance they include:

- Land valuations have been based on extensive local knowledge, the district rating records, the QV Mapping system and records held by QV and its predecessor Valuation New Zealand.
- Land has been valued as if vacant and incorporates the influences of size, contour, quality, location, zoning, designation and current and potential usage.
- All land is valued on an open market "willing buyer willing seller" scenario. This is effectively the price an informed purchaser would have to spend to acquire a similar property.
- Where there is a designation held against the land, adjustments have been made to reflect that designation.

### Buildings

All buildings have been valued on either a fair market or depreciated replacement cost basis (DRC). Where the fair value of an asset can be determined by reference to the price in an active market for the same or similar asset, the fair value of the asset is determined using this information. Where the fair value of the asset is not able to be determined using market-based evidence, depreciated replacement cost is considered to be the most appropriate basis for determination of fair value.

QV have considered the highest and best use of the property when formulating which approach to undertake the building valuations with. Where market-based evidence exists structures have been valued on a market basis in relation to a market-based per square metre.

A number of estimates and assumptions must be made when valuing land and buildings. They may differ depending on the degree of specialisation inherent in the purpose or use of each particular building.

For specialised assets which are valued on a depreciated replacement cost basis:

- Replacement cost rates are derived from construction contracts of like assets, reference to publications such as qv Cost Builder (previously the Rawlinson's Construction Handbook), recent costings obtained from construction details and Property Institute of New Zealand's cost information.
- A componentisation approach is taken in most cases. The exceptions are where the cost of a component or the lives do not differ materially to the entire value of the structure to warrant being componentised. In all these cases, the building is reported as a structure only and will generally be under \$50,000 in value. The components are summarised for financial reporting purposes as structure, roof, internal fit-out, services, plant and external works/other improvements.
- The remaining useful life of properties is estimated by determining the effective age of the components within each property and comparing with the economic life of the improvements. A minimum residual life of five years has been adopted for properties nearing the end of their theoretical lives.
- Straight line depreciation has been applied to all DRC valued assets to determine their DRC.
- Optimisation has been considered in the process of determining DRC. Optimisation defines the most efficient set of assets that deliver the required services.

Residential dwellings and commercial properties have been valued in relation to market-based evidence.

- Market rents and capitalisation rates were applied to reflect market value while considering the highest and best use alternatives.
- Optimisation is not considered under a market-derived assessment.

Comparisons of the carrying value of buildings valued using depreciated replacement cost and buildings valued using market-based evidence is as follows:

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
<b>Operational buildings</b>		
Depreciated replacement cost	25,395	26,051
Market-based evidence	935	948
<b>Total carrying value of operational buildings</b>	<b>26,330</b>	<b>26,999</b>
<b>Restricted buildings</b>		
Depreciated replacement cost	23,475	24,211
Market-based evidence	1,460	1,460
<b>Total carrying value of restricted buildings</b>	<b>24,935</b>	<b>25,671</b>

### Classification of property

Council owns a number of properties held to provide housing for the elderly. The receipt of market-based rental from these properties is incidental to holding them. The properties are held for service delivery objectives as part of Council's social housing policy. The properties are therefore accounted for as property, plant and equipment rather than as investment property.

### Parks and reserves

Parks and reserves assets include assets associated with cemeteries, public toilets (including toilet buildings); assets such as playgrounds, skate parks, carparks, roading within reserves, bollards, fences, pathways, gardens, rubbish bins, seating and signage; and reserves-like assets associated with swimming pools.

Parks and reserves assets have been valued at fair value as determined on an optimised depreciated cost basis by an independent valuer. The most recent valuation was performed by Robert Berghuis and Marvin Clough of Beca Limited and is dated 30 June 2019.

A number of estimates and assumptions must be made when valuing parks and reserves assets using the optimised depreciated replacement cost method. In this instance they include:

- The optimised replacement costs assume the use of modern materials, techniques and designs. They further assume that some assets may be surplus to requirements, technically obsolete or over-designed for their purpose.
- Unit replacement cost rates allowed for modern equivalent asset replacement for known obsolete or redundant assets. For example, in the case of toilet blocks, rural plywood buildings are being replaced with circular concrete buildings, brick or weather-board clad buildings with concrete block buildings.
- Useful (or base) lives are determined from the information provided in the New Zealand Infrastructure Asset Valuation and Depreciation Guidelines 2006 and from information gained by Beca during previous assessments of this type. Remaining useful life (RUL) is assessed on useful life less age, with adjustments depending on condition and performance which may vary from one asset to another. Minimum remaining useful life is assumed to be two years.
- Assets are assumed to have zero residual value at the end of their effective useful lives.

### Infrastructural asset classes: water, wastewater, stormwater, drainage and solid waste

Utilities and solid waste assets have been valued at fair value determined on an optimised depreciated replacement cost basis by an independent valuer. The most recent valuation was performed by Miles Wyatt, Michelle Too and Stephen Garlick and reviewed by Ian Martin of AECOM New Zealand Limited and is dated 30 June 2019.

Estimates and assumptions for the revaluation of these assets included:

- Straight-line depreciation was used.
- Waters and solid waste assets were used in the valuation (land was not included).
- Assets were assumed to have zero residual value.
- Remaining useful life is assessed on useful life less age, with adjustments depending on condition and performance. A minimum remaining useful life of two years was used.
- An optimisation approach was employed. Optimisation seeks to remove excess capacity, redundant assets, inappropriate design practices, old technologies and conservative design work. No areas of significant optimisation opportunities were identified.
- Asset unit rates have been determined from actual costs where available, rates from comparable local authorities and rates used in previous valuations. This data was cost indexed as appropriate using indices published by Statistics New Zealand and compared with unit rates from other valuations carried out by AECOM; this included rates from four peer Councils in the Waikato/Bay of Plenty area. Rates from a study carried out for Council in 2017 by Jacobs into unit rates were also used to ensure valuation rates are a fair representation of actual construction costs in the Waikato area.

### Infrastructural asset classes: roading and bridges

Road and bridge assets have also been valued at fair value as determined using the optimised depreciated replacement cost basis by an independent valuer. The most recent valuation was performed by Gregg Morrow, John Vessey and Shahaanan Arulgnanapragasam of Opus International Consultants Limited. The valuation is effective at 30 June 2019.

A number of estimates and assumptions must be made when valuing infrastructural assets using the optimised depreciated replacement cost method. In this instance they include:

- Replacement cost is the cost of building the existing infrastructure using present-day technology while maintaining the originally designed level of service.
- Unit cost rates are factored to allow for other direct costs such as professional fees. NZTA Cost Adjustment Factors this year increased the unit rates between 2.84% and 2.93% for all assets when compared to March 2018 values. Unit costs represent brown-field costs which reflect increased difficulties and constraints of undertaking construction, maintenance and renewal work simultaneously with continuous operation of infrastructure.
- Overhead factors (10%) have been applied to allow for all expenses incidental to the asset acquisition and all costs directly attributable to bringing the asset into working condition and location.
- An optimisation approach was employed. Optimisation means provision of the required utility at a minimum overall cost.
- Assets have been valued based on unit costs provided and quantities expressed as length, area or each.
- Useful life has been calculated in accordance with the International Infrastructure Management Manual and further modified if local knowledge and experience suggest it is appropriate. Remaining useful life is then assessed as the difference between useful life and the age of the asset.
- A zero residual value is assumed for all assets.
- Straight line depreciation is used.

### Land under roads

Land under roads was valued by both the former Franklin District Council (FDC) and Waikato District Council (WDC) before the transition by each to NZ Equivalent International Financial Reporting Standard (NZIFRS). On transition to NZIFRS both Councils elected to use the revaluation amounts for land under roads as the deemed cost. Following the merger of part of the former FDC and WDC, land under roads is stated at deemed cost and is not revalued.

### Other comments

There are no items of property, plant and equipment that are not in current use. There have been no restrictions in titles relating to property, plant and equipment or items pledged as security for liabilities.

No impairment losses have been recognised for property, plant and equipment in the current period (2018: \$nil).

There are no items of property, plant and equipment held under finance leases in the current period (2018: nil).

The net gain on disposal of property, plant and equipment \$161,600 (2018: \$987,088) has been recognised in the Statement of comprehensive revenue and expense in the line item Other revenue. Losses on disposal amounting to \$35,824 have also been recognised in comprehensive revenue and expense in the line item Other expenses and losses.

## Note 15 Intangible assets

### Accounting policy

#### Software acquisition and development

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. This asset class, which is amortised on a straightline basis, has a finite useful life of three to seven years and the amortisation rates are between 14% and 33%.

#### Consents

Consent costs for capital works are recognised at cost, and amortised on a straight-line basis over the finite life of the consents (between 10 and 35 years). The amortisation charge for each period is recognised in the surplus or deficit.

#### Impairment of intangible assets

Intangible assets that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment. Intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in surplus or deficit.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

#### Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return,

For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a series of service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

#### Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

	Council and Group		
	Computer software \$'000	Consents \$'000	Total \$'000
<b>Balance at 1 July 2018</b>			
Cost	5,981	5,491	11,472
Accumulated amortisation and impairment	(4,653)	(1,277)	(5,930)
<b>Opening carrying amount</b>	<b>1,328</b>	<b>4,214</b>	<b>5,542</b>
<b>Year ended 30 June 2019</b>			
Additions	330	-	330
Disposal – cost	(23)	-	(23)
Amortisation charge	(482)	(219)	(701)
<b>Closing carrying amount</b>	<b>1,153</b>	<b>3,995</b>	<b>5,148</b>
<b>Balance at 30 June 2019</b>			
Cost	6,288	5,491	11,779
Accumulated amortisation and impairment	(5,135)	(1,496)	(6,631)
<b>Closing carrying amount</b>	<b>1,153</b>	<b>3,995</b>	<b>5,148</b>
<b>Balance at 1 July 2017</b>			
Cost	5,669	5,491	11,160
Accumulated amortisation and impairment	(4,122)	(1,057)	(5,179)
<b>Opening carrying amount</b>	<b>1,547</b>	<b>4,434</b>	<b>5,981</b>
<b>Year ended 30 June 2018</b>			
Additions	312	-	312
Amortisation charge	(531)	(220)	(751)
<b>Closing carrying amount</b>	<b>1,328</b>	<b>4,214</b>	<b>5,542</b>
<b>Balance at 30 June 2018</b>			
Cost	5,981	5,491	11,472
Accumulated amortisation and impairment	(4,653)	(1,277)	(5,930)
<b>Closing carrying amount</b>	<b>1,328</b>	<b>4,214</b>	<b>5,542</b>

The carrying amount of the assets has been assessed as less than their replacement cost.

There are no restrictions over the title of the Council's intangible assets, nor are any intangible assets pledged as security for liabilities.

There are no intangible assets which have been internally generated.

## Note 16 Investment property

### Accounting policy

Properties leased to third parties under non-cancellable operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is initially measured at cost, including transaction costs. After initial recognition, all investment properties are measured at fair value effective at 30 June each year. Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Balance at 1 July	545	490
Fair value gains (losses) on valuation	15	55
Disposals	-	-
Balance at 30 June (at valuation)	560	545

### Valuation

At 30 June 2019 the valuation was performed by Mairi Macdonald, an independent valuer from Quotable Value Limited. Quotable Value is an experienced valuer with extensive market knowledge in the types and locations of investment properties owned by Council.

The fair value of Council's investment properties has been determined based on the highest and best use in accordance with PBE IPSAS 16 Investment Property.

A number of estimates and assumptions must be made when valuing investment property. In this instance they include:

- All land is valued on a fair market basis determined from market based evidence and conditions that prevailed at 30 June 2019.
- Land has been valued as if vacant and incorporates the influences of size, contour, quality, location, zoning, designation and current and potential usage.
- Where there is a designation held against the land, adjustments have been made to reflect that designation.
- All buildings have been valued on either a fair market or depreciated replacement cost basis. Where the fair value of an asset can be determined by reference to the price in an active market for the same or similar asset, the fair value of the asset is determined using this information. Where the fair value of the asset is not able to be determined using market-based evidence, depreciated replacement cost is considered to be the most appropriate basis for determination of fair value.

### Revenue and expenses relating to investment property

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Rental revenue	44	44
Expenses from investment property generating revenue	-	-

Rental revenue from investment properties is recognised as revenue on a straight-line basis over the term of the lease.

## Note 17 Payables, taxes and transfers

### Accounting policy

Short-term payables are recorded at their face value.

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
<b>Payables under exchange transactions</b>				
Trade payables	2,445	2,605	2,451	2,620
Water rates in advance	427	134	427	134
Accrued expenses	12,182	9,623	12,280	9,651
Revenue in advance	1,472	1,463	1,472	1,463
<b>Total payables under exchange transactions</b>	<b>16,526</b>	<b>13,825</b>	<b>16,630</b>	<b>13,868</b>
<b>Taxes and transfers payable under non-exchange transactions</b>				
Rates in advance	965	1,047	965	1,047
Deposits and bonds	221	221	221	221
GST and FBT payable	38	35	39	36
Other non-exchange payables	116	94	116	94
<b>Total taxes and transfers payable</b>	<b>1,340</b>	<b>1,397</b>	<b>1,341</b>	<b>1,398</b>
<b>Total payables, taxes and transfers</b>	<b>17,866</b>	<b>15,222</b>	<b>17,971</b>	<b>15,266</b>

Payables are non-interest bearing and are normally settled within 30 days, therefore the carrying value of payables approximates their fair value.

## Note 18 Employee entitlements

### Accounting policy

#### Short-term employee entitlements

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that it will be used by staff to cover those future absences.

#### Long-term employee entitlements

Entitlements that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculation is based on:

- Likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlement information;
- The present value of the estimated future cash flows; and
- An inflation factor based on the expected longterm increase in remuneration for employees.

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
<b>Current portion</b>		
Annual leave	1,717	1,821
Long service leave	17	16
Sick leave provision	132	66
Accrued payroll	542	480
Other employee liabilities	765	507
<b>Total current portion</b>	<b>3,173</b>	<b>2,890</b>
<b>Non-current portion</b>		
Long service leave	72	71
Retirement gratuities	71	43
<b>Total non-current portion</b>	<b>143</b>	<b>114</b>
<b>Total employee entitlements</b>	<b>3,316</b>	<b>3,004</b>

### Estimating retirement and long service leave obligations

The present values of Council's non-current retirement gratuities and long service leave obligations depend on a number of factors that are determined on an actuarial basis. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any change in these assumptions will affect the carrying amount of the liability. Expected future payments are discounted using forward rates derived from 10 year New Zealand Government bonds. The salary inflation factor has been determined in accordance with the inflation factors forecast by Berl in September 2018. A discount rate of 1.62% (2018: 2.85%) and an inflation factor of 1.86% (2018: 1.79%) have been used.

## Note 19 Borrowing

### Accounting policy

All borrowing is initially recognised at cost, being the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless Council or the Group has an unconditional right to defer settlement of the liability at least 12 months after balance date.

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Current portion		
LGFA borrowing	5,000	10,000
<b>Total current portion</b>	<b>5,000</b>	<b>10,000</b>
Non-current portion		
LGFA borrowing	75,000	70,000
<b>Total non-current portion</b>	<b>75,000</b>	<b>70,000</b>
<b>Total borrowing (all secured)</b>	<b>80,000</b>	<b>80,000</b>

Council secured debt of \$80,000,000 (2018: \$80,000,000) is either issued at a fixed rate of interest or has been swapped for fixed interest instruments. Council has 36 swap contracts in place (2018: 37). During the year one swap matured (2018: six) and two contracts were cancelled and replaced by contracts with more suitable terms; no outright new contracts (2018: ten) were undertaken. Council has 12 (2018: 15) swaps with start dates after 30 June 2019.

Council's committed cash advance facility of \$15,000,000 (2018: \$15,000,000) expires on 31 July 2021.

At 30 June 2019 total borrowings from Local Government Funding Agency Limited (LGFA) were \$80,000,000 (2018: \$80,000,000). The average rate of interest was 2.56% (2018: 2.79%).

The carrying amounts and the fair values of non-current borrowings are as follows:

	Carrying amount		Fair value	
	2018/19 \$'000	2017/18 \$'000	2018/19 \$'000	2017/18 \$'000
Council and Group				
Secured loans	75,000	70,000	74,582	69,475
<b>Total non-current borrowing</b>	<b>75,000</b>	<b>70,000</b>	<b>74,582</b>	<b>69,475</b>

The fair values are based on cash flows discounted using a weighted average rate based on the borrowing rates which range:

		2018/19	2017/18
	From	2.4%	2.6%
	To	2.8%	3.0%

## Internal loans

Council has a policy to utilise investment funds for internal debt purposes so that external borrowing is minimised and Council keeps its borrowing costs to a minimum.

<b>Council</b>	<b>Balance at 1 July \$'000</b>	<b>Borrowing \$'000</b>	<b>Repayments \$'000</b>	<b>Balance at 30 June \$'000</b>	<b>Interest paid \$'000</b>
<b>2019</b>					
Water supply	16,258	1,900	(774)	17,384	671
Wastewater	10,226	482	(432)	10,276	423
Stormwater	3,479	513	(139)	3,853	144
Roading	22,699	802	(1,750)	21,751	923
Sustainable environment	395	-	(32)	363	16
Sustainable communities	15,960	2,104	(936)	17,128	655
Governance	-	-	-	-	-
Organisational support	527	530	(28)	1,029	22
<b>Total internal loans (gross)</b>	<b>69,544</b>	<b>6,331</b>	<b>(4,091)</b>	<b>71,784</b>	<b>2,854</b>
<b>2018</b>					
Water supply	15,434	1,720	(896)	16,258	645
Wastewater	9,644	1,364	(782)	10,226	398
Stormwater	2,895	701	(117)	3,479	122
Roading	23,535	1,086	(1,922)	22,699	972
Sustainable environment	426	-	(31)	395	18
Sustainable communities	15,835	1,013	(888)	15,960	662
Governance	762	-	(762)	-	17
Organisational support	377	173	(23)	527	16
<b>Total internal loans (gross)</b>	<b>68,908</b>	<b>6,057</b>	<b>(5,421)</b>	<b>69,544</b>	<b>2,850</b>

## Note 20 Provisions

### Accounting policy

A provision is recognised for future expenditure of uncertain amount or timing when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time (discount unwinding) is recognised as an interest expense and is included in finance costs.

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
<b>Current portion</b>		
Landfill aftercare	69	111
<b>Total current portion</b>	<b>69</b>	<b>111</b>
<b>Non-current portion</b>		
Landfill aftercare	1,378	2,008
<b>Total non-current portion</b>	<b>1,378</b>	<b>2,008</b>
<b>Total provisions</b>	<b>1,447</b>	<b>2,119</b>

Movements for each class of provision are as follows:

	Landfill aftercare \$'000	Total \$'000
<b>2019</b>		
Balance at 1 July 2018	2,119	2,119
Change in provision made during the year	(616)	(616)
Amounts used	(173)	(173)
Unused amounts reversed	-	-
Discount unwind	117	117
<b>Balance at 30 June 2019</b>	<b>1,447</b>	<b>1,447</b>
<b>2018</b>		
Balance at 1 July 2017	2,111	2,111
Change in provision made during the year	51	51
Amounts used	(159)	(159)
Unused amounts reversed	-	-
Discount unwind	116	116
<b>Balance at 30 June 2018</b>	<b>2,119</b>	<b>2,119</b>

## Weathertightness claims

No claims remain with the Weathertight Homes Resolution Service (WHRS) as at 30 June 2019 (2018: none).

At 30 June 2019, no further claim had been received directly by Council (2018: none).

## Landfill aftercare costs

Council has five landfill sites within the District. They are at Te Kauwhata, Ngaruawahia, Huntly, Raglan and Tuakau. Council has responsibility under the resource consents to provide ongoing maintenance and monitoring of the landfills after the sites are closed.

The cash outflows for landfill post-closure are expected to occur over 35 years. The long term nature of the liability means that there are inherent uncertainties in estimating the costs which will be incurred. The provision has been made taking into account existing technology and known changes to legal requirements. The gross provision before discounting is \$3,130,248 (2018: \$5,209,875). A discount rate of 4.7% (2018: 5.50%) and an inflation factor of 2.5% (2018: 2.5%) have been used.

## Contract completion costs

Provision for contract completion costs is estimated based on the likelihood of further construction work being required to rectify construction deficiencies.

## Note 21 Derivative financial instruments

### Accounting policy

Council uses derivative financial instruments to manage exposure to interest rate risks arising from financing activities. In accordance with its treasury policy, Council does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance date. The associated gains or losses on derivatives are recognised in the surplus or deficit. The portion of the fair value of non-hedge accounted interest rate derivatives that is expected to be realised within 12 months of balance date is classified as current, with the remaining portion of the derivative classified as non-current.

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
<b>Current liability portion</b>		
Interest rate swaps	156	65
<b>Non-current liability portion</b>		
Interest rate swaps	15,510	7,192
<b>Total derivative financial instruments liabilities</b>	<b>15,666</b>	<b>7,257</b>

The fair values of interest rate swaps are measured against the prevailing market conditions at balance date. The Council's interest rate swaps have been independently valued using Hedgebook software designed to capture, value and report interest rate swaps. Hedgebook uses daily rate feeds of floating rate references such as BKBM and NNSW from industry benchmark sources.

The notional principal amounts of outstanding interest rate swap contracts for Council and the Group is:

	2018/19 Actual	No.	2017/18 Actual	No.
	\$'000		\$'000	
Active swaps	95,500	24	75,500	22
Forward starting swaps	51,000	12	73,000	15
	<b>146,500</b>	<b>36</b>	<b>148,500</b>	<b>37</b>

## Note 22 Revaluation reserve – property, plant and equipment

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Land	70,177	69,911
Buildings	30,615	30,615
Parks and reserves	22,494	22,500
Wastewater	39,090	38,944
Water	43,082	38,679
Bridges	89,415	85,583
Roading	378,622	366,137
Urban stormwater	14,076	13,848
Rural drainage	18	-
Solid waste	975	1,036
Balance at 30 June	688,564	667,253

## Note 23 Reconciliation of net surplus (deficit) after tax with net cash flows from operating activities

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
Net surplus (deficit) after tax	(9,363)	38,509	(9,135)	38,612
Plus (minus) non-cash items				
Depreciation, amortisation and asset write-off	57,916	29,008	57,916	29,008
Vested and found assets	(13,188)	(25,713)	(13,188)	(25,713)
(Gains) losses on fair value of investment property	(15)	(55)	(15)	(55)
(Gains) losses on derivative financial instruments	8,409	2,295	8,409	2,295
(Gains) losses on revaluation of property, plant and equipment	(20)	(102)	(20)	(102)
(Gains) losses on cattle	8	8	8	8
Interest revenue on financial assets not at fair value through surplus (deficit)	(3)	-	(3)	-
Capitalised internal charges	(1,087)	(700)	(1,087)	(700)
Going on cessation of joint venture	-	-	(115)	-
Impairment recovered	-	-	(106)	-
Impairment of related party receivable	-	-	-	105
Gain on fair value through surplus (deficit)	-	-	(276)	(382)
Plus (minus) items classified as investing or financing activities				
(Gains) losses on disposal of property, plant and equipment	(125)	(684)	(125)	(678)
Decrease (increase) in creditors for capital expenditure	(1,692)	3,867	(1,692)	3,867
Plus (minus) movements in working capital items				
Receivables and recoverables	(2,746)	(1,558)	(2,746)	(1,538)
Prepayments	(73)	(114)	(73)	(115)
Cattle	(1)	2	(1)	2
Payables, taxes and transfers	2,644	(2,454)	2,715	(2,414)
Changes in provision	(56)	(42)	(56)	(48)
Employee entitlements	313	114	313	114
Net cash inflow (outflow) from operating activities	40,921	42,381	40,723	42,266

## Note 24 Reconciliation of total comprehensive revenue with net operating funding (per funding impact statement)

	Council	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Total comprehensive revenue wholly attributable to Waikato District Council	20,384	81,867
Surplus (deficit) of operating funding per Whole of Council funding impact statement	22,053	18,590
Difference	(1,669)	63,277
The difference comprises:		
Capital revenue	21,510	24,636
Revaluation of assets	27,218	42,940
Revaluation reserve - landfill	616	(51)
Financial assets at fair value	1,913	469
Depreciation and amortisation	(27,375)	(26,093)
Profit (loss) on sale	125	684
Write off of assets	(30,541)	(2,917)
Vested and found assets	13,188	25,713
Change in provisions	56	42
Interest revenue from financial assets	3	-
Unrealised gains	35	157
Unrealised losses	(8,417)	(2,303)
Total difference	(1,669)	63,277

## Note 25 Capital commitments and operating leases

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Capital commitments are for expenditure on:		
Water	818	884
Wastewater	1,383	986
Stormwater	-	-
Parks and reserves	1,202	4,533
Buildings - operational	-	97
Roading	24,526	34,055
Bridges	-	-
Library books	-	354
Intangible assets	17	40
Total capital commitments	27,946	40,949

Capital commitments represent capital expenditure contracted for at balance date but not yet incurred.

## Operating leases as lessee

Council and the Group lease property, plant and equipment in the normal course of business. The leases have non-cancellable terms of between three years three months and two years three months (2018: between three years three months and two years three months).

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Not later than one year	223	223
Later than one year and not later than five years	177	400
Later than five years	-	-
<b>Total minimum operating lease payments payable</b>	<b>400</b>	<b>623</b>

### Council

Council had a contract with Canon NZ for the lease of photocopiers. There are no minimum amounts payable; charges are based on actual volumes of printing. The agreement was renewed with a term of five years from October 2017.

No contingent rent relating to copiers was recognised during the period. (2018:\$nil)

Council's Tuakau office is leased from Young Investors Limited. The current agreement has a three year term effective from October 2017 with one right of renewal for a further three year term.

Other leases may be renewed at Council's option, with rents set by reference to current market rates for items of equivalent age and condition. Council and the Group do not have the option to purchase any assets at the end of the lease term.

### Strada

Strada has no leased property.

## Operating leases as lessor

Council leases community and investment properties and grazing rights under operating leases. The leases have non-cancellable terms ranging from less than one year up to 30 years.

The future aggregate minimum lease payments to be collected under noncancellable operating leases are as follows:

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Not later than one year	369	560
Later than one year and not later than five years	1,273	1,585
Later than five years	600	935
<b>Total minimum operating lease payments receivable</b>	<b>2,242</b>	<b>3,080</b>

Council has recognised no contingent rents during the period (2018: \$nil).

## Note 26 CONTINGENCIES

### Contingent liabilities

Quantifiable contingent liabilities are as follows:

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Uncalled share capital (LASS – ordinary shares)	1	1
Uncalled share capital (LASS - WRPS shares)	9	9

#### Outstanding insurance claims

There are no outstanding claim (2018: one) in progress. (2018: Council was unable to quantify its contingent liability for this claim. The maximum Council liability for the claim was \$10,000 including GST which is the excess on the insurance policies).

#### Capital contributions

As disclosed in note 13, Council holds four classes of share in in Waikato Local Authority Shared Services Limited (LASS). There is uncalled capital on two classes of share.

#### Unquantified claims

Council is exposed to potential future weathertightness claims which have not yet been advised. The amount of potential future claims is not able to be reliably measured and is therefore unquantifiable. Claims must be made within ten years of construction or alteration of the dwelling in order for the claim to be eligible under the Weathertight Homes Resolution Services (WHRS) Act 2006, but other statutory limitation periods could also affect claims.

#### Ministry of Education and Carter Holt Harvey (CHH)

In 2013 the Ministry of Education (MoE) initiated High Court proceedings against Carter Holt Harvey Limited and others alleging inherent defects in the shadowclad plywood sheets manufactured and distributed by CHH. The MoE's claim against CHH is for 833 school buildings, 47 of which are located within the Waikato District.

In 2016 CHH commenced proceedings against 48 Councils, including Waikato District Council, alleging a breach of duty on the processing of building consents, undertaking building inspections and issuing Code Compliance Certificates.

28 school buildings (none in the Waikato District) built outside the 10 year-long stop contained within the Building Act 2004 have since been struck out by the High Court.

The court has directed that the trial be staged. The first stage will be a 6-month hearing commencing in April 2020, to determine whether shadowclad is inherently defective.

At present, there is still insufficient information to conclude on potential liability and claim quantum, if any.

#### Homeowners and CHH

During the year, a group of homeowners initiated High Court proceedings against CHH and others alleging inherent defects in the shadowclad plywood cladding sheets manufactured and distributed by CHH. CHH has joined 19 Councils as co-defendants in this claim.

At present, there is still insufficient information to conclude on potential liability and claim quantum, if any.

#### Pakau Trust

The Pakau Trust has served two proceedings on Council; one is an application for a declaratory judgement, the other for damages. Both proceedings are being effectively conducted together and the insurer is covering the costs of the defence 60:40 with Council as Council has no insurance for the declaratory judgement proceedings.

There is insufficient information to quantify the potential cost to Council.

#### Rural Tails Limited

This matter relates to a disputed resource consent application. Mediation has been held and it appears likely that the matter will be settled although the parties are still in discussion. There is insufficient information to quantify the potential cost to Council.

#### Other claims

At balance date no other claims (2018: none) expose Council or the Group to contingent liabilities. Council's maximum financial exposure is \$nil (2018: \$nil).

#### NZ Local Government Funding Agency Limited (LGFA)

Waikato District Council is a guarantor of LGFA. The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a current credit rating from Standard and Poor's of AA+.

Council is one of 45 local authority guarantors - 30 of which are also shareholders of LGFA. The aggregate amount of uncalled shareholder capital (\$20m) is available in the event that an imminent default is identified. Also, together with other guarantors and shareholders, Council is guarantor of all LGFA's borrowings. At 30 June 2019 LGFA had borrowings totalling \$9.531 billion (2018: \$8.271 billion).

Financial reporting standards require Council to recognise the guarantee liability at fair value. However, Council is unable to determine a sufficiently reliable fair value of the guarantee and therefore has not recognised a liability. Council considers the risk of LGFA defaulting on payments of interest or capital to be very low on the basis that:

- We are not aware of any local authority debt default in New Zealand; and
- Local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

#### Contingent assets

Council is a 35% capital beneficiary of the WEL Energy Trust. The life of the Trust ends in 2073 unless terminated earlier if its purpose is completed. Given the uncertainty surrounding the life of the Trust, Council is unable to accurately establish an appropriate value for the 35% share.

## Note 27 Related party transactions

Waikato District Council has a 100% shareholding in Strada Corporation Limited.

All related party transactions and related payments are on normal commercial terms. There was no impairment of any of these transactions (2018: nil).

The following transactions were carried out between related parties:

	Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
<b>Between Council and Waikato District Community Wellbeing Trust (WBT)</b>		
Council's accounts receivable from WBT	232	223
<b>Between Council and Local Authority Shared Services (LASS)</b>		
Services provided to LASS	322	296
Charges from LASS	583	533
Council's accounts payable to LASS	236	11
Council's accounts receivable from LASS	85	36
<b>Between Council and Waikato Regional Airport Limited (WRAL)</b>		
Dividend paid by WRAL	39	31
Regional Tourism funding payment to WRAL	150	150
<b>Between Strada and Waikato Quarries Limited (WQL)</b>		
Payment for deferred settlement received from WQL	500	-
Deferred settlement receivable from WQL	-	280

### Key management personnel compensation

Council's key management personnel include the Mayor, Councillors, the Chief Executive, General Managers and other members of the Executive Leadership Team. The Group enters into various transactions such as rates, water charges and the sale of goods or services with key management personnel in the ordinary course of business and on an arm's length basis. No disclosure has been made for these transactions.

	Council	
	2018/19 Actual \$'000	2017/18 Actual \$'000
<b>Remuneration</b>		
Councillors	777	722
Senior management team (including CE)	2,337	1,406
<b>Total key management personnel remuneration</b>	<b>3,114</b>	<b>2,128</b>
<b>Full-time equivalent members</b>		
Councillors	14	14
Senior management team (including CE)	11	6
<b>Total full-time equivalent personnel</b>	<b>25</b>	<b>20</b>

Because of the difficulties inherent in estimating the number for full-time equivalent Councillors, the figure used is the number of Councillors.

There are close family members of key management personnel employed by Council and the Group. The terms and conditions of these arrangements are no more favourable than they would have been if there were no relationships to key management personnel.

### Related party transactions requiring disclosure

During the year Strada Corporation Limited purchased \$131 (2018: \$136) of legal and employment advice from Tompkins Wake in which a Strada director is a partner. There was a balance payable at 30 June 2019 of \$nil (2018: \$156).

## Note 28 Remuneration

### Remuneration of elected members

	Council	
	2018/19 Actual \$'000	2017/18 Actual \$'000
<b>Councillors</b>		
<b>Cash benefits</b>		
A Sanson, Mayor	147	129
A Bech	42	40
J Church	42	40
D Fulton	62	56
J Gibb	54	49
S Henderson	42	40
S Lynch	51	48
B Main	42	40
R McGuire	42	40
F McNally	42	40
E Patterson	42	40
J Sedgwick	53	50
N Smith	57	53
L Thomson	42	40
<b>Total cash benefits paid to Councillors</b>	<b>760</b>	<b>705</b>
<b>Non-cash benefits</b>		
A Sanson, Mayoral car	17	17
<b>Total non-cash benefits paid to Councillors</b>	<b>17</b>	<b>17</b>
<b>Total remuneration of Councillors</b>	<b>777</b>	<b>722</b>

	Council	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Cash benefits		
K Bredenbeck	5	5
B Cameron	11	11
C Conroy	5	5
W Diamond	5	5
R Farrar	5	5
P Haworth	4	4
S Jackson	5	5
R Kereopa	4	4
R Kirkwood	5	5
D Lamb	5	5
K Langlands	10	10
D Lovell	3	3
H Lovell	1	2
R MacLeod	9	9
J Morley	1	2
K Morgan	5	5
A Oosten	4	4
S Ormsby-Cocup	1	2
G Parson	4	4
J Pecekajus	1	1
L Petersen	5	5
C Rees	5	5
V Reeve	5	5
B Sherson	5	5
J Stevens	5	5
S Stewart	5	5
R Van Dam	1	2
A Vink	4	4
B Watson	5	5
J Whetu	10	10
<b>Total cash benefits paid to community board and committee members</b>	<b>143</b>	<b>147</b>
<b>Total remuneration of Councillors and other elected representatives</b>	<b>920</b>	<b>869</b>

## Remuneration of Chief Executive

The Chief Executive of Waikato District Council is appointed under section 42 of the Local Government Act 2002. He received a salary of \$338,227 (2018: \$326,514) in terms of his contract. The Chief Executive's total remuneration included other benefits as follows:

	Council	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Salary and other short-term employee benefits	338	327
Vehicle	17	17
Defined contribution plan employer contributions (KiwiSaver)	11	11
Expenses and other allowances	8	3
Other fringe benefits (value of benefit plus FBT)	13	9
<b>Total Chief Executive's remuneration</b>	<b>387</b>	<b>367</b>

## Employee numbers

Number of employees (at 30 June)	Council	
	2018/19 Actual	2017/18 Actual
Full-time employees	321	290
Part-time employees (including casual employees)	74	73
<b>Total employees</b>	<b>395</b>	<b>363</b>

A full-time employee works 40 hours per week

Full-time equivalent employees		
	Full-time employees	321.05
	Part-time employees (in full-time equivalents)	32.38
<b>Total full-time equivalent employees</b>		<b>353.43</b>

## Total annual employee remuneration by band

	Council	
	2018/19 Actual \$'000	2017/18 Actual \$'000
\$0 - \$60,000	187	165
\$60,001 - \$80,000	78	78
\$80,001 - \$100,000	59	62
\$100,001 - \$120,000	44	42
\$120,001 - \$140,000	12	8
\$140,001 - \$180,000	9	-
\$180,001 - \$380,000 (2018: \$140,001 - \$380,000)	6	8
<b>Total employees</b>	<b>395</b>	<b>363</b>

Total remuneration includes non-financial benefits provided to employees.

There are fewer than five employees on each of the bands above \$140,000 therefore the numbers for those bands have been combined into two bands of \$140,001 - \$180,000 and \$180,001 - \$380,000.

In 2018 the top two bands were combined in one of \$140,001-\$380,000 as there were fewer than five employees in any of the bands in that range. There were eight employees in total in the combined band.

## Note 29 Severance payments

For the year ended 30 June 2019, Council made two (2018: two) severance payments to employees. The payment amounts were: \$16,000 and \$7,000. (2018: \$74,750).

Strada made no severance payments to employees during the year (2018: \$nil).

## Note 30 Events after balance date

An agreement to outsource the operation and maintenance of water, wastewater and Stormwater services of Council to Watercare Services Limited was approved on 14 August 2019. This outsourcing arrangement between local authorities falls within Local Government Act 2002 provisions, a direction that was supported through consultation with Waikato District Communities in 2017. The contract sum has initially been set at \$213,188,851 for the first five years to 30 June 2024 and is in line with Long Term Plan commitments. The contract does not come into force until 1 October 2019.

For Strada, no material events are expected to occur subsequent to 30 June 2019.

In 2018, there were no events which provided evidence of conditions existing for Council at balance date which occurred between then and the date the financial statements were authorised for issue.

## Note 31 Financial instruments

### A: Financial instruments categories

The accounting policies for financial instruments have been applied to the line items below:

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
<b>Financial assets</b>				
<b>Loans and receivables</b>				
Cash and cash equivalents	10,405	14,932	11,503	15,716
Recoverables and receivables	13,753	11,000	13,539	11,074
Community loans	138	179	138	179
Term deposit	809	789	809	789
LGFA borrower notes	1,440	1,280	1,440	1,280
<b>Total loans and receivables</b>	<b>26,545</b>	<b>28,180</b>	<b>27,429</b>	<b>29,038</b>
<b>Fair value through surplus (deficit)</b>				
Fixed interest investments	-	-	1,934	1,828
Equity investments	-	-	2,367	2,210
<b>Total fair value through surplus (deficit)</b>	<b>-</b>	<b>-</b>	<b>4,301</b>	<b>4,038</b>
<b>Fair value through other comprehensive revenue</b>				
Unlisted shares in Civic Financial Services Limited	66	62	66	62
Waikato Regional Airport Limited	15,176	13,267	15,176	13,267
<b>Total fair value through other comprehensive revenue</b>	<b>15,242</b>	<b>13,329</b>	<b>15,242</b>	<b>13,329</b>
<b>Financial assets at cost</b>				
Local Authority Shared Services Limited	219	219	219	219
Shares in Strada Corporation Limited (subsidiary)	700	700	-	-
<b>Total financial assets at cost</b>	<b>919</b>	<b>919</b>	<b>219</b>	<b>219</b>
<b>Financial liabilities</b>				
<b>Fair value through surplus (deficit)</b>				
Derivative financial instruments liabilities	15,666	7,257	15,666	7,257
<b>Financial liabilities at amortised cost</b>				
Payables, taxes and transfers	17,866	15,222	17,972	15,265
Borrowing -secured loans	80,000	80,000	80,000	80,000
<b>Total financial liabilities at amortised cost</b>	<b>97,866</b>	<b>95,222</b>	<b>97,972</b>	<b>95,265</b>

## B: Fair value hierarchy disclosures

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1): financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2): financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation technique with significant nonobservable inputs (level 3): financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position:

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
Valued at quoted market price (level 1)				
Fixed interest investments	-	-	1,934	1,828
Equity investments	-	-	2,367	2,210
<b>Total financial instruments valued at quoted market price</b>	<b>-</b>	<b>-</b>	<b>4,301</b>	<b>4,038</b>
Valued using observable inputs (level 2)				
Financial liabilities – derivatives	15,666	7,257	15,666	7,257
Valued using significant non-observable inputs (level 3)				
Unlisted shares	15,242	13,329	15,242	13,329

Instruments valued using significant non-observable inputs (level 3)

The table below provides reconciliation between the opening and closing balances for level 3 financial instruments:

	Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
Balance at 1 July	13,329	12,859
Gains and losses recognised in other comprehensive revenue	1,913	470
Other movements	-	-
<b>Balance at 30 June</b>	<b>15,242</b>	<b>13,329</b>

There were no transfers between the different levels of the fair value hierarchy.

## C: Financial instruments risks

Council has a series of policies to manage the risks associated with financial instruments. Council is risk averse and seeks to minimise exposure from its treasury activities. Council has established and approved a Treasury Risk Management Policy which includes a Liability Management Policy and an Investment Policy. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

### Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of change in market prices. Council has no exposure to price risk because it does not hold any listed securities. Equity securities price risk arises on listed equity investments which are held by the Waikato District Community Wellbeing Trust (WBT) and are classified as financial assets held at fair value through surplus or deficit. The price risk arises due to market movements in listed share prices. Kiwi Wealth Limited (KWL), which manages the investment portfolio on behalf of the Trustees, manages price risk via diversification and liquidity of investments.

### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Council is not exposed to currency risk, as it has minimum foreign currency transactions. WBT holds investments in foreign currencies and is exposed to currency risk. KWL, on behalf of the trustees, enters into forward currency contracts on all fixed interest investments. The default currency exposure for equity investments is 50%.

### Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Borrowings and investments issued at fixed rates of interest expose Council to interest rate risk. Council's Treasury Risk Management Policy sets a range of control limits for the fixed rate proportion of borrowings with different maturities. The range is from a maximum of 100% for debt maturing in the current period through to 55% for debt maturing in ten years.

KWL actively manages the average maturity date of WBT's fixed interest investments in response to changes in KWL's interest rate view.

### Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose Council to cash flow interest rate risk. KWL actively manages the average maturity date of WBT's fixed interest investments in response to changes in KWL's interest rate view.

Generally, Council raises longterm borrowing at floating rates and swaps them into fixed rates using interest rate swaps to manage the cash flow interest rate risk. Council enters into interest rate swaps in order to manage the cash flow interest rate risk. Such interest rate swaps have the economic effect of converting borrowings at floating rates into fixed rates that are generally lower than those available if Council borrowed at fixed rates directly. Under the interest rate swaps, Council agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floatingrate interest amounts calculated by reference to the agreed notional principal amounts.

Credit risk

Credit risk is the risk that a third party will default on its obligation to Council and the Group, causing it to incur a loss.

Council's Treasury Risk Management Policy clearly specifies approved institutions, minimum credit ratings and investment limits. WBT is consolidated into Council's group financial statements and also includes cash and fixed interest securities that are a credit risk. KWL, on behalf of the trustees of WBT invests only in fixed interest investments in liquid securities, which means there is a secondary market available where these assets are readily traded. In addition, KWL invest primarily in investment-grade instruments and has established counterparty limits for fixed interest investments depending on their credit rating.

Council is exposed to credit risk as a guarantor of all of LGFA's borrowings. Information about this exposure is explained in note 26.

Council and the Group have no other collateral or credit enhancements for financial instruments that give rise to credit risk.

## Maximum exposure to credit risk

Council's maximum credit risk exposure for each class of financial instrument is as follows:

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
Cash and cash equivalents	10,405	14,932	11,503	15,716
Recoverables and receivables	13,753	11,000	13,539	11,074
Term deposits	809	789	809	789
Community loans	138	179	138	179
Fixed interest investments	-	-	1,934	1,828
Equity investments	-	-	2,367	2,210
LGFA borrower notes	1,440	1,280	1,440	1,280
<b>Total credit risk</b>	<b>26,545</b>	<b>28,180</b>	<b>31,730</b>	<b>33,076</b>

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates:

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
<b>Counterparties with credit ratings</b>				
<b>Cash and cash equivalents</b>				
AA-	10,405	14,932	11,503	15,716
<b>Term deposits</b>				
AA-	809	789	809	789
<b>Borrower notes</b>				
AA+	1,440	1,280	1,440	1,280
<b>Counterparties without credit ratings</b>				
Community loans with no defaults in the past	138	179	138	179
Unrated equity investments	16,161	14,248	17,828	15,758
Unrated fixed interest investments	-	-	1,934	1,828

Debtors and other receivables mainly arise from Council's statutory functions, therefore there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings. Council has no significant concentrations of credit risk in relation to debtors and other receivables, as it has a large number of credit customers, mainly ratepayers, and Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

## Liquidity risk

### Management of liquidity risk

Liquidity risk is the risk that Council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Council aims to maintain flexibility in funding by keeping committed credit lines available.

Council manages its liquidity risks including borrowings in accordance with its Treasury Risk Management Policy, which includes a Liability Management Policy. These policies have been adopted as part of Council's Long Term Plan.

Council has a \$500,000 overdraft facility (2018: \$500,000) and a committed cash advance facility of \$15,000,000 (2018: \$15,000,000), of which \$15,000,000 (2018: \$15,000,000) is available to be drawn. Council's committed cash advance facility expires on 31 July 2021.

Council utilises funding through the Local Government Funding Agency Limited (LGFA). As at 30 June 2019 Council had borrowed \$80,000,000 (2018: \$80,000,000) and held borrower notes with a face value of \$1,280,000 (2018: \$1,280,000).

Council is also exposed to liquidity risk as a guarantor of all of LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. Information about this exposure is contained in note 26.

## Contractual maturity analysis of financial liabilities, excluding derivatives

The table below analyses Council and the Group's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at balance date. The amounts disclosed are the contractual undiscounted cash flows and include interest payments.

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
<b>Carrying amount</b>				
Payables, taxes and transfers	17,866	15,222	17,972	15,266
Secured loans	80,000	80,000	80,000	80,000
<b>Total carrying amount</b>	<b>97,866</b>	<b>95,222</b>	<b>97,972</b>	<b>95,266</b>
<b>Contractual cash flows</b>				
Payables, taxes and transfers	17,866	15,222	17,972	15,266
Secured loans	88,329	89,654	88,329	89,654
<b>Total contractual cash flows</b>	<b>106,195</b>	<b>104,876</b>	<b>106,301</b>	<b>104,920</b>

The following table summarises the pattern of contractual cash flows:

	Less than 1 yr \$'000	1-2 yrs \$'000	2-5 yrs \$'000	More than 5 yrs \$'000
<b>Council 2019</b>				
Payables, taxes and transfers	17,866	-	-	-
Secured loans	7,018	16,867	38,298	26,146
<b>Total</b>	<b>24,884</b>	<b>16,867</b>	<b>38,298</b>	<b>26,146</b>
<b>Council 2018</b>				
Payables, taxes and transfers	15,222	-	-	-
Secured loans	12,146	6,909	43,812	26,787
<b>Total</b>	<b>27,368</b>	<b>6,909</b>	<b>43,812</b>	<b>26,787</b>
<b>Group 2019</b>				
Payables, taxes and transfers	17,972	-	-	-
Secured loans	7,018	16,867	38,298	26,146
<b>Total</b>	<b>24,990</b>	<b>16,867</b>	<b>38,298</b>	<b>26,146</b>
<b>Group 2018</b>				
Payables, taxes and transfers	15,266	-	-	-
Secured loans	12,146	6,909	43,812	26,787
<b>Total</b>	<b>27,412</b>	<b>6,909</b>	<b>43,812</b>	<b>26,787</b>

### Contractual maturity analysis of derivative financial instruments

The table below analyses Council and the Group's derivative financial instruments into those that will be settled on a net basis and those that will be settled on a gross basis in relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Council and Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000
<b>Net settled derivative liabilities</b>		
Carrying amount	15,666	7,257
Contractual cash flows	20,433	24,686

	Less than 1 yr \$'000	1-2 yrs \$'000	2-5 yrs \$'000	More than 5 yrs \$'000
<b>Net settled derivative liabilities</b>				
2018/19	2,457	2,561	7,970	7,445
2017/18	2,060	2,701	9,091	10,834

### Contractual maturity analysis of financial assets

The table below analyses Council and the Group's financial assets into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date.

The amounts disclosed are the contractual undiscounted cash flows and include interest receipts.

	Council		Group	
	2018/19 Actual \$'000	2017/18 Actual \$'000	2018/19 Actual \$'000	2017/18 Actual \$'000
<b>Carrying amount</b>				
Cash and cash equivalents	10,405	14,932	11,503	15,716
Recoverables and receivables	13,753	11,000	13,539	11,074
<b>Other financial assets</b>				
- term deposit	809	789	809	789
- community loans	138	179	138	179
- LGFA borrower notes	1,440	1,280	1,440	1,280
<b>Total carrying amount</b>	<b>26,545</b>	<b>28,180</b>	<b>27,429</b>	<b>29,038</b>
<b>Contractual cash flows</b>				
Cash and cash equivalents	10,405	14,932	11,503	15,716
Recoverables and receivables	13,753	11,000	13,539	11,074
<b>Other financial assets</b>				
- term deposit	829	804	829	804
- community loans	153	206	153	206
- LGFA borrower notes	1,416	1,416	1,416	1,416
<b>Total contractual cash flows</b>	<b>26,556</b>	<b>28,358</b>	<b>27,440</b>	<b>29,216</b>

The following table summarises the pattern of contractual cash flows:

	Less than 1 yr \$'000	1-2 yrs \$'000	2-5 yrs \$'000	More than 5 yrs \$'000
<b>Council 2019</b>				
Cash and cash equivalents	10,405	-	-	-
Recoverables and receivables	13,753	-	-	-
Other financial assets				
- term deposit	829	-	-	-
- community loans	57	96	-	-
- LGFA borrower notes	190	107	694	425
<b>Total</b>	<b>25,234</b>	<b>203</b>	<b>694</b>	<b>425</b>
<b>Council 2018</b>				
Cash and cash equivalents	14,932	-	-	-
Recoverables and receivables	11,000	-	-	-
Other financial assets				
- term deposit	804	-	-	-
- community loans	69	52	85	-
- LGFA borrower notes	190	107	694	425
<b>Total</b>	<b>26,995</b>	<b>159</b>	<b>779</b>	<b>425</b>
<b>Group 2019</b>				
Cash and cash equivalents	11,503	-	-	-
Recoverables and receivables	13,539	-	-	-
Other financial assets				
- term deposit	829	-	-	-
- community loans	57	96	-	-
- LGFA borrower notes	190	107	694	425
<b>Total</b>	<b>26,118</b>	<b>203</b>	<b>694</b>	<b>425</b>
<b>Group 2018</b>				
Cash and cash equivalents	15,716	-	-	-
Recoverables and receivables	11,074	-	-	-
Other financial assets				
- term deposit	804	-	-	-
- community loans	69	52	85	-
- LGFA borrower notes	190	107	694	425
<b>Total</b>	<b>27,853</b>	<b>159</b>	<b>779</b>	<b>425</b>

## Sensitivity analysis

The tables below illustrate the potential effect on the surplus or deficit and equity (excluding accumulated funds) for reasonably possible market movements, with all other variables held constant, based on Council and the Group's financial instrument exposures at the balance date.

	2018/19		2017/18	
	Actual -100bps \$'000	Actual +100pbs \$'000	Actual -100bps \$'000	Actual +100bps \$'000
<b>Interest rate risk</b>				
<b>Council</b>				
Financial assets				
Cash and cash equivalents	(104)	104	(149)	149
Term deposits	(8)	8	(8)	8
Financial liabilities				
Derivatives	(7,745)	7,112	(7,500)	6,825
<b>Group</b>				
Financial assets				
Cash and cash equivalents	(115)	115	(157)	157
Term deposits	(8)	8	(8)	8
Fixed interest investments	(19)	19	(18)	18
Financial liabilities				
Derivatives	(2,341)	(8,554)	(7,500)	(6,825)

	2018/19		2017/18	
	Actual -100bps \$'000	Actual +100pbs \$'000	Actual -100bps \$'000	Actual +100bps \$'000
<b>Foreign exchange risk</b>				
<b>Group</b>				
Financial assets				
Cash and equity investments	8	(8)	8	(8)

	2018/19		2017/18	
	Actual -100bps \$'000	Actual +100pbs \$'000	Actual -100bps \$'000	Actual +100bps \$'000
<b>Equity price risk</b>				
<b>Group</b>				
Financial assets				
Equity investments	24	(24)	22	(22)

## Explanations of sensitivity analysis

The interest rate, foreign exchange and equity price sensitivities are based on reasonably possible movements in interest rates, exchange rates and equity market valuations; with all other variables held constant, measured as a basis points (bps) movement. For example, a decrease in 100bps is equivalent to a decrease in interest rates of 1%.

The sensitivity for derivatives (interest rate swaps) has been calculated using a derivative valuation model based on parallel shift in interest rates of -100bps/+100bps (2018: -100bps/+100bps).

## Note 32 Capital management

Council's capital is its equity (or ratepayers' funds) which include accumulated funds and other reserves. Equity is represented by net assets.

The Local Government Act 2002 (the Act) requires Council to manage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner which promotes the current and future interests of the community. Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments and general financial dealings.

The objective of managing these items is to achieve intergenerational equity which is a principle promoted in the Act and applied by Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising Council's assets and not expecting them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally, Council has in place asset management plans for major classes of asset detailing renewal and maintenance programmes to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires Council to make adequate and effective provision in its Long Term Plan (LTP) and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. The Act also sets out the factors that Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financing policies in Council's LTP.

Council has the following Council-created reserves:

- reserves for different areas of benefit;
- self-insurance reserves; and
- trust and bequest reserves.

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from payers of general rate. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserve.

Self-insurance reserves are built up annually from general rates and are made available for specific unforeseen events. The release of these funds generally can be approved only by Council.

Trust and bequest reserves are set up where Council has been donated funds that are restricted for particular purposes. Interest is added to trust and bequest reserves where applicable and deductions are made where funds have been used for the purpose they were donated.

## Note 33 Explanation of major variances against budget

The major variance explanations are set out below and explain the significant differences between actual results for 2018/19 compared to the budget for 2018/19. Please note that the abbreviations used in this note are: \$Xm, millions of dollars; and \$Xk, thousands of dollars.

### Statement of comprehensive revenue and expense

Overall revenue was \$9.2m greater than budgeted. This difference was largely due to vested and found asset revenue of \$5.7m not being budgeted. Contribution revenue was also \$4.3m higher than budgeted from growth exceeding budgeted levels throughout the district and in particular for Pokeno.

Overall expenses were \$30.4m greater than budget. Asset write-offs mainly occur when infrastructure assets are disposed for no value and these were not budgeted. This year asset write-offs were \$30.5m; the majority of this relates to roading assets which were derecognised as it was identified that they belong to the NZTA. Significant write-offs were also recognised on the waters assets due to a rigorous data cleanse in preparation for the Watercare transition. An additional \$2.3m above budget was spent on consultants to cover vacancies and staff shortages which also explains the lower amount spent on employee costs compared to budget. Depreciation was \$790k lower than budget which is consistent with the large asset write-offs.

The above movements resulted in a deficit of \$9.4m at an operating level. (Compared to the budgeted surplus of \$11.8m)

Total comprehensive revenue and expense was \$20.4m and was \$22.1m below budget. Majority of the difference is explained by the operating results noted above. Other comprehensive revenue and expense includes revaluation surpluses which were only \$1m lower than budgeted and accounts for the remainder of the variance.

## Statement of financial position

The statement of financial position shows a slight increase in overall net assets of \$10.6m compared to budget. The biggest variance was for property, plant and equipment which was lower than budget due to large asset write-offs and a capital programme which was below budget. This difference is off-set by fewer borrowings compared to budget estimates which is consistent with the below budget capital programme. Current assets are higher than budgeted and is largely due to cash flow timing differences which resulted in a higher cash and cash equivalents balance compared to budget.

## Statement of cash flows

The cash flow statement highlights how the capital programme was below budget and is offset by no new borrowings this year.

## Funding impact statements

The whole of Council funding impact statement reports cash or soon to be cash items (such as revenue or expenses in receivables or payables) and does not consider non-cash funded items such as asset write-offs or assets vested in Council. The report analyses separately the surplus or deficit for operating funding and capital funding.

This year the overall operating funding surplus was \$22m which was \$7m above budget. Total sources of operating funding (revenue) was consistent with budget therefore the difference was a result of operating expenditure being \$7m lower than budgeted.

The decrease in operating expenditure was primarily due to the signing of the Watercare contract being pushed out into the 2019/20 financial year. An expense of \$6m was budgeted for the Watercare contract establishment in 2018/19 but these costs only became due upon signing of the contract which took place in August 2019. Staff costs were also lower than budgeted due to a number of budgeted positions which were vacant for a significant period of time throughout the year but this was off-set by an increase in consultant costs. Maintenance costs were also \$1m below budget and include general repairs & maintenance as well as maintenance contractors. This was a result of the vacant positions as well as a number of projects being delayed in the waters team due to the upcoming transition to Watercare.

Sources of capital funding were \$28m less compared to budget. There was no increase in borrowings due to lower actual spend on the capital programme compared to budget. Subsidy revenue received from NZTA was \$2m lower than budget due to the Horsham Road Link upgrade and the Huntly central interchange project not having started. This was partially offset by grants income received of \$750k which were not budgeted. Most of this unbudgeted grant income relates to receipts from the Tourism Infrastructure Fund. Contribution income was \$4m higher than budgeted from growth exceeding budgeted levels throughout the district and in particular for Pokeno. Also financial contributions revenue was received that was not budgeted.

Capital expenditure was \$21m less than budget. Some growth projects did not proceed such as extensions of Te Kauwhata and Pokeno wastewater reticulation, new parks and stormwater development projects at Pokeno and the Housing Infrastructure Fund which is still in the initial design phase. The delay is due to timing as well as the Watercare transition and the budgets have been carried forward. Some level of service projects were also budgeted that have not commenced such as the Horsham Downs Link road upgrade. Capital works under the Horotiu development agreement was budgeted but was not completed. Some renewal projects were budgeted but not completed including water supply renewal works in Raglan and roading capital projects in Pokeno.

In summary, because Council is a net borrower the additional borrowing of \$32m budgeted was not required in the funding mix for capital works this year because of additional capital income of \$4m, less capital expenditure of \$23m, a lower budgeted decrease in reserves of \$2m and a decrease in investments of \$2.5m.

## Note 34 Insurance of assets

The total value of all assets of Council that are covered by insurance contracts as at 30 June 2019 is \$597,285,430 (2018: \$587,790,392) and the maximum amount to which they are insured is \$253,980,613 (2018: \$254,386,233)

Insurance Class	Total Declared Value	Policy Limit
Infrastructure	\$369,786,161	\$10,000,000 per loss (primary layer contracts provide for recovery of 100% of the costs of loss or damage to declared assets)  \$100,000,000 per loss (For anything that falls outside primary layer cover, these insurance contracts provide for the recovery of 40 per cent of the costs of loss or damage to declared assets)
Material Damage	\$223,518,656	\$150,000,000 each and every loss and in the annual aggregate
Motor Vehicle	\$3,501,683	\$3,501,683
Other	\$478,930	\$478,930
<b>Total</b>	<b>\$597,285,430</b>	<b>\$253,980,613</b>

In addition to the insurance contracts noted above, the Council maintains a disaster recovery reserve to meet the costs of damage that may not be recoverable through insurance. At 30 June 2019 the balance of this reserve was \$535,138 (2018: \$404,964).

# ANNUAL REPORT DISCLOSURE STATEMENT

for the year ended 30 June 2019

## What is the purpose of this statement?

The purpose of this statement is to disclose Council's financial performance in relation to various benchmarks to enable the assessment of whether Council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings.

Council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definition of some of the terms used in this statement.

Council's 2018-28 long-term plan set revised limits for its rates and debt affordability benchmarks. For this reason results for the previous targets are included for the years ending 2014-2018 together with graphs depicting the results for the revised targets for the 2019 year.

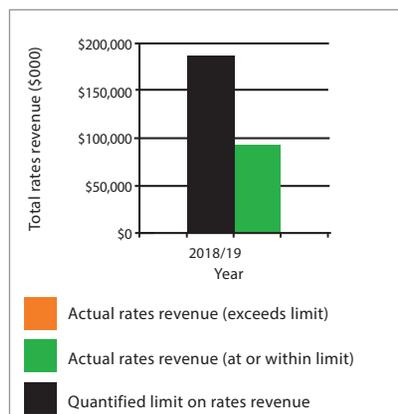
## Rates affordability benchmarks

Council meets the rates affordability benchmarks if:

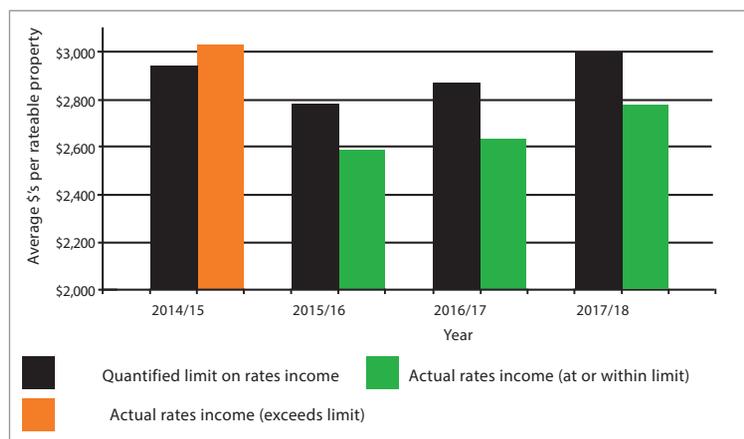
- its actual rates revenue equals or is less than each quantified limit on rates; and,
- its actual rates increases equal or are less than each quantified limit on rates increases.

## Rates (income) affordability

This graph compares Council's actual rates income with a quantified limit on rates contained in the financial strategy included in Council's 2018-28 long-term plan (pg 10).



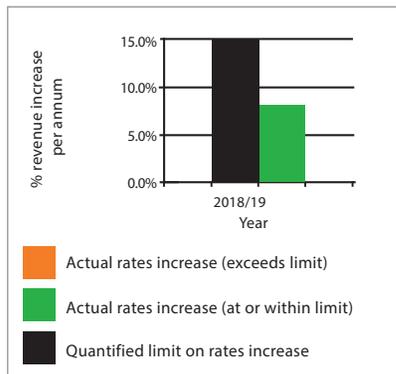
The quantified limit for the current year is that total rates revenue will not exceed 0.7% of the total capital value of the District (based on 2017 rating valuations and inclusive of GST).



The quantified limit on rates revenue contained in Council's 2015-2025 long-term plan was based on an amount per rateable property. That amount ranged from \$2,943 in 2015 to \$2,999 in 2018

### Rates (increases) affordability

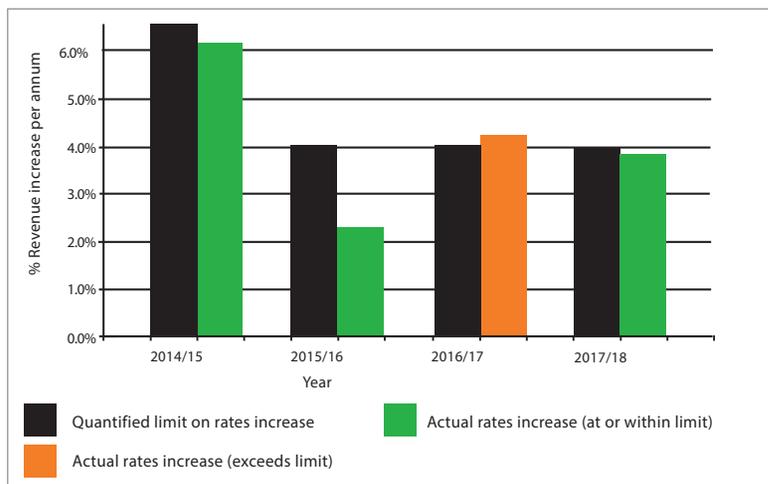
This graph compares Council's actual rates increases with a quantified limit on rates increases included in the financial strategy included in Council's 2018-28 long-term plan (pg 10).



The quantified limit on increases in rates is that average annual rate increases to existing ratepayers\* are not to exceed 15 percent in the first three years, reducing to five percent per annum from 2022.

\*Based on 2017 rating valuations.

Council's previous limit on rates increases was set at 4% per annum (measured cumulatively from 2015/2016).

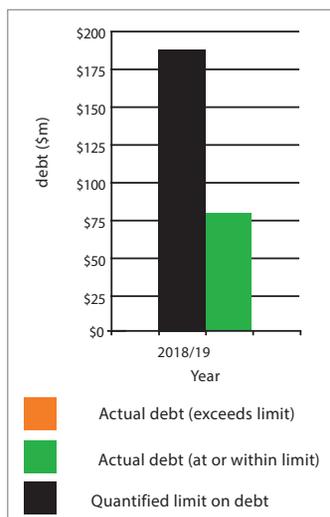


### Debt affordability benchmarks

Council meets its debt affordability benchmark if its actual borrowing is within the quantified limit on borrowing. This graph compares Council's actual borrowing with the quantified limit on borrowing stated in the financial strategy included in Council's 2018-28 long-term plan (pg 9).

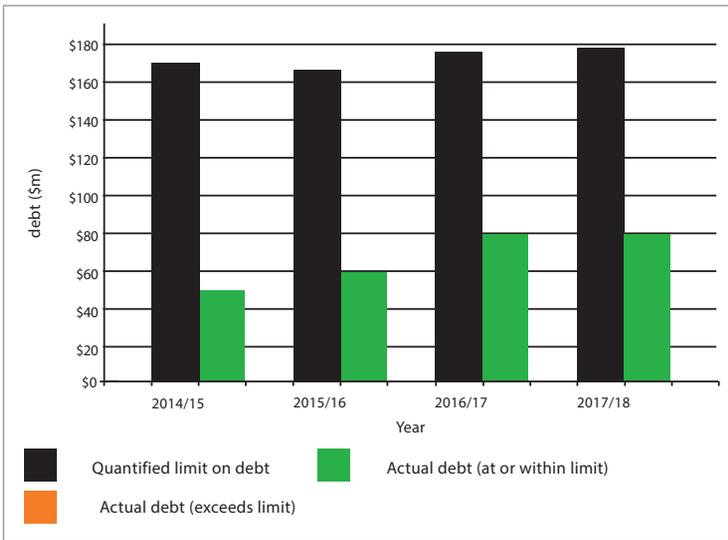
The quantified limit on net debt<sup>1</sup> is that it does not exceed 150 percent of revenue<sup>2</sup>.

- 1 Net debt equals total external debt, net of borrower notes.
- 2 Revenue is net of developer contributions and vested assets.

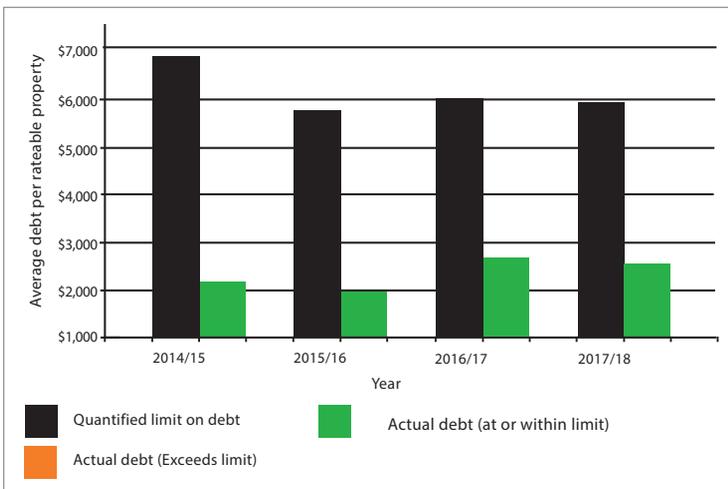


Council's revised financial strategy only contains one debt limit but the previous strategy had two limits on net debt.

The first of the previous limits ranged from \$171m in 2015 to \$178.9m in 2018.



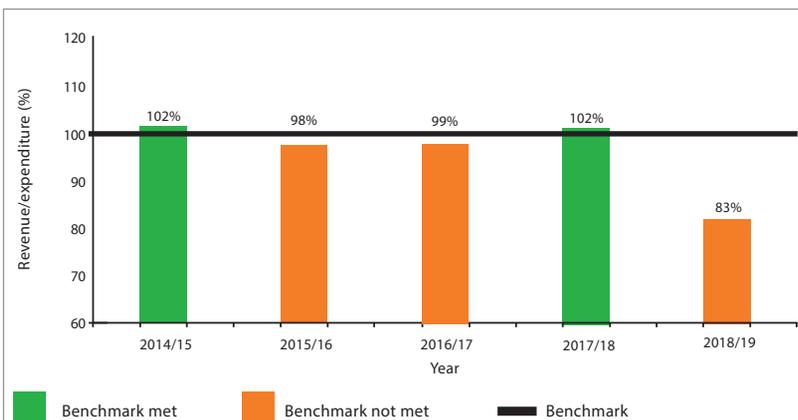
The previous strategy also limited the average net debt per dwelling. That limit ranged from \$6,872 in 2015 to \$5,957 in 2018.



### Balanced budget benchmark

This graph displays Council's revenue (excluding development contributions; financial contributions; vested assets; gains on derivative financial instruments and revaluations of property, plant or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant or equipment).

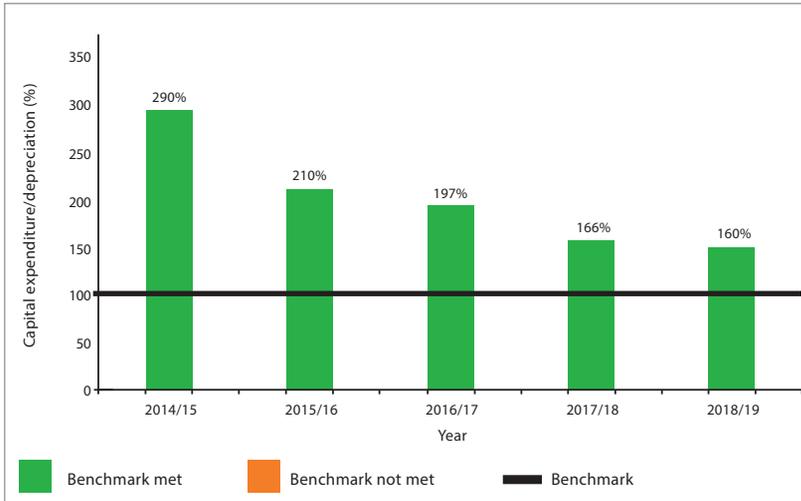
Council meets this benchmark if its revenue equals or is greater than its operating expenses.



## Essential services benchmark

This graph displays Council's capital expenditure on network services as a proportion of depreciation on network services.

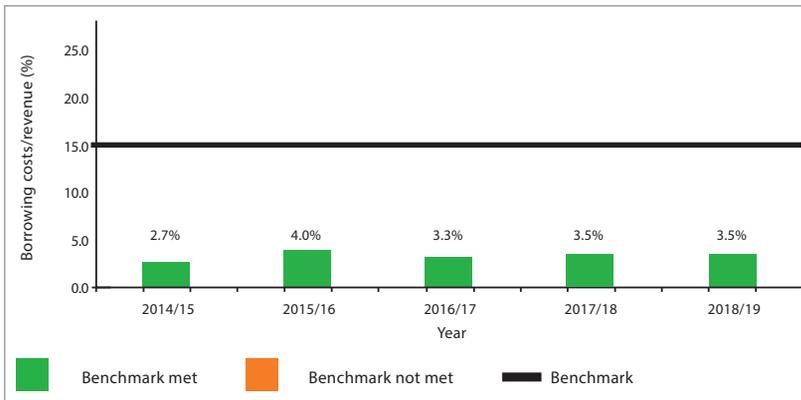
Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



## Debt servicing benchmark

This graph displays Council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of property plant or equipment).

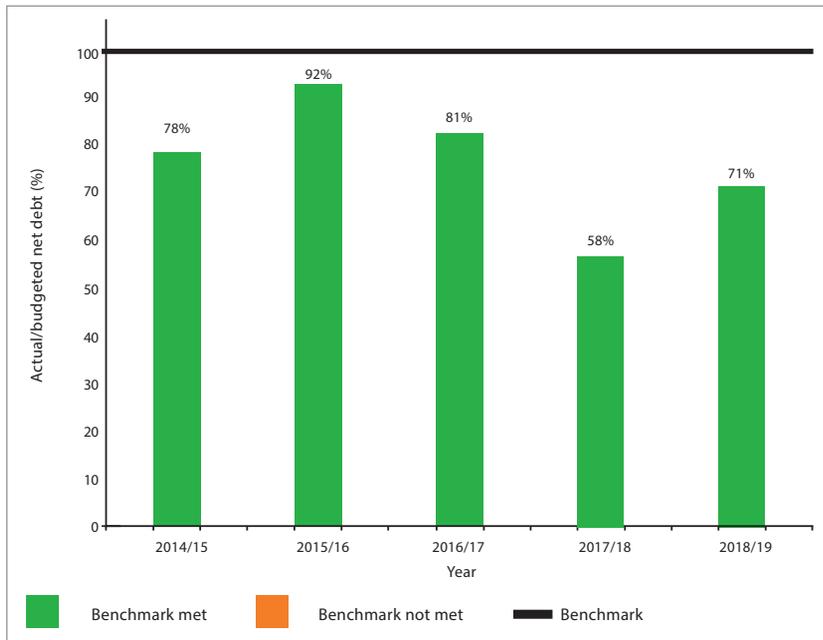
Because Statistics New Zealand projects that Council's population will grow faster than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 15% of its planned revenue.



## Debt control benchmark

This graph displays Council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables).

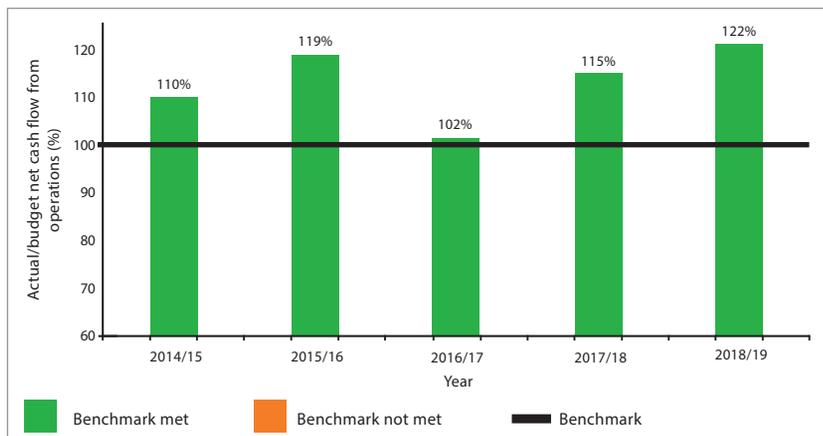
Council meets the debt control benchmark if its actual net debt equals or is less than planned net debt.



## Operations control benchmark

This graph displays Council's actual net cash flow from operations as a proportion of its planned net cash flow from operations.

Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



## Independent Auditor's Report

### To the readers of Waikato District Council's annual report for the year ended 30 June 2019

The Auditor-General is the auditor of Waikato District Council (the District Council) and its subsidiaries and controlled entities (the Group). The Auditor-General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, to report on the information in the District Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

- whether the District Council has complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of the District Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

We refer to this information as "the disclosure requirements" in our report.

We completed our work on 7 October 2019. This is the date on which we give our report.

### Opinion on the audited information

In our opinion:

- the financial statements on pages 70 to 133:
  - present fairly, in all material respects:
    - the District Council and Group's financial position as at 30 June 2019;
    - the results of the operations and cash flows for the year ended on that date; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards;
- the funding impact statement on page 11, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's Long-term plan;

- the statement of service provision on pages 9 to 10 and 12 to 55:
  - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2019, including:
    - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
    - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
  - complies with generally accepted accounting practice in New Zealand; and
- the statement about capital expenditure for each group of activities on pages 14, 27, 38, 42, 45, 49, 53, and 55 presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council's Long-term plan; and
- the funding impact statement for each group of activities on pages 14, 27, 38, 42, 45, 49, 53, and 55 presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's Long-term plan.

## Report on the disclosure requirements

We report that the District Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence) Regulations 2014 on pages 134 to 138, which represent a complete list of required disclosures and accurately reflects the information drawn from the District Council and Group's audited information and, where applicable, the District Council's long-term plan and annual plans.

## Basis for our opinion on the audited information

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. We describe our responsibilities under those standards further in the "Responsibilities of the auditor for the audited information" section of this report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the audited information.

### **Responsibilities of the Council for the audited information**

The Council is responsible for meeting all legal requirements that apply to its annual report.

The Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

The Council is responsible for such internal control as it determines is necessary to enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.

In preparing the information we audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of the District Council and the Group or there is no realistic alternative but to do so.

### **Responsibilities of the auditor for the audited information**

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the District Council's Long-term plan.

We did not evaluate the security and controls over the electronic publication of the audited information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District Council and Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We determine the appropriateness of the reported intended levels of service in the statement of service provision, as a reasonable basis for assessing the levels of service achieved and reported by the District Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the District Council and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the District Council and the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the entities or business activities within the Group to express an opinion on the consolidated audited information.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Other Information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 1 to 8, 13 to 69 and 143, but does not include the audited information and the disclosure requirements, and our auditor's report thereon.

Our opinion on the audited information and our report on the disclosure requirements do not cover the other information.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Independence

We are independent of the District Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit and our report on the disclosure requirements, we have performed a limited assurance engagement related to the District Council's debenture trust deed and performed a review of selected procurements, probity review and ad-hoc support, which are compatible with those independence requirements. Other than these engagements, we have no relationship with or interests in the District Council or its subsidiaries and controlled entities.



Leon Pieterse  
Audit New Zealand  
On behalf of the Auditor-General  
Tauranga, New Zealand

# STATEMENT OF COMPLIANCE AND RESPONSIBILITY

## Statement of Compliance

The Council and management of the Waikato District Council confirm that all the statutory requirements in relation to the Annual Report have been complied with.

## Statement of Responsibility

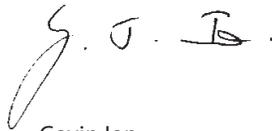
The Council and management of the Waikato District Council accept responsibility for:

- (a) the preparation of the Annual Financial Statements and the judgements used in them, and
- (b) establishing and maintaining internal control systems to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Council and management of the Waikato District Council, the Annual Financial Statements and Statements of Service Provision for the year ended 30 June 2019 fairly reflect the financial position and operations of the Council.



Allan Sanson  
Mayor



Gavin Ion  
Chief Executive



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